

RWE Npower Holdings plc

Directors' report and financial statements for the year ended 31 December 2008

Registered number 03987817

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Directors' report for the year ended 31 December 2008

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2008.

Principal activities and business review

RWE Npower Holdings plc is the holding company of one of the UK's leading integrated energy businesses, RWE Npower plc. The subsidiary undertakings held by the Company are listed in note 7 to the financial statements. Consolidated financial statements are not presented as the Company takes advantage of the exemption afforded by Section 228 of the Companies Act 1985.

Other than the receipt of a dividend from RWE Npower plc of £451m there has been no significant activity during the year.

Future outlook

It is the directors' intention that the main purpose of this company is to continue to be the holding company for RWE Npower plc.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. Accordingly, the principal risks and uncertainties of RWE AG, which include those of the Company, are discussed on pages 101 to 108 of the group's annual report, which does not form part of this report.

Key performance indicators ("KPIs")

The directors of RWE AG manage the group's operations on a divisional basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of RWE Npower Holdings plc.

Financial risk management

The Company does not use financial instruments.

Results and dividends

The audited financial statements for the year ended 31 December 2008 are set out on pages 4 to 11. The profit for the year after taxation was £457m (2007: profit £247m).

Dividends for the year of £150m were paid to the parent company (2007: £100m).

Directors and their interests

The directors who held office during the year and up to the date of signing the financial statements are given below:

	<u>Appointed</u>	<u>Resigned</u>
A Duff		
B Bonekamp		31 December 2008
V B Beckers		
D Threlfall		14 February 2008
K Akhurst		
R Pohlig		
M Hartung		
U Jobs	1 January 2008	
K Miles	14 February 2008	
L Birnbaum	1 January 2009	

Charitable and political donations

No charitable or political donations were made during the year (2007: nil).

Directors' report for the year ended 31 December 2008 (continued)

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing those financial statements the directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to auditors

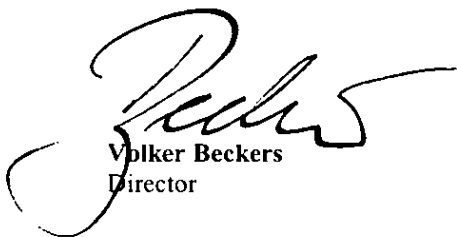
The directors who held office as at the date of approval of this report confirm the following:

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

Auditors

The board proposes to place a resolution before the annual general meeting to reappoint PricewaterhouseCoopers LLP as auditors for the ensuing year.

On behalf of the Board



Volker Beckers
Director

1 July 2009

Independent auditors' report to the members of RWE Npower Holdings plc

We have audited the financial statements of RWE Npower Holdings plc for the year ended 31 December 2008 which comprise the profit and loss account, the balance sheet, the accounting policies and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the directors' report and all of the other information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

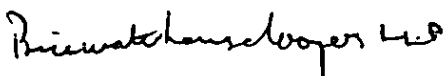
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
2 July 2009

Profit and loss account
For the year ended 31 December 2008

	<i>Notes</i>	Year ended 31 December 2008 £'m	Year ended 31 December 2007 £'m
Operating costs		-	(1)
Operating loss		-	(1)
Income from shares in group undertaking	2	451	250
Profit on ordinary activities before interest and taxation		451	249
Net interest receivable / (payable)	3	8	(3)
Profit on ordinary activities before taxation	4	459	246
Tax (charge) / credit on profit on ordinary activities	6	(2)	1
Profit for the financial year	12, 13	457	247

The Company's results are derived entirely from continuing operating activities.

There are no recognised gains or losses in either period other than the profit for that period, therefore no separate statement of total recognised gains and losses has been presented.

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


The accounting policies and notes on pages 6 to 11 form an integral part of these financial statements.

Balance sheet
As at 31 December 2008

		31 December 2008 £'m	31 December 2007 £'m
	<i>Notes</i>		
Fixed assets			
Fixed asset investments	7	<u>112</u>	<u>112</u>
		112	112
Current assets			
Debtors	8		
- amounts falling due within one year		<u>545</u>	<u>242</u>
		545	242
Creditors: Amounts falling due within one year	9	<u>(2)</u>	<u>(6)</u>
		(2)	(6)
Net current assets		<u>543</u>	<u>236</u>
		543	236
Total assets less current liabilities		<u>655</u>	<u>348</u>
		655	348
Net assets		<u>655</u>	<u>348</u>
		655	348
Capital and reserves			
Called-up share capital	10	116	116
Share premium account	12	82	82
Other reserves	12	(6)	(6)
Profit and loss account	12	<u>463</u>	<u>156</u>
		463	156
Total equity shareholders' funds	13	<u>655</u>	<u>348</u>
		655	348

The accounts were approved by the Board of Directors on 1 July 2009 and signed on their behalf by:


Andrew Duff
 Director


Volker Beckers
 Director

The notes on pages 6 to 11 form an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2008

1 Accounting policies

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards. A summary of the more important accounting policies is set out below, together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year.

(i) *Basis of preparation of financial statements*

The Company has taken advantage of the exemption under Section 228 of the Companies Act 1985 not to prepare consolidated financial statements because it is a wholly owned subsidiary of RWE AG, which prepares consolidated financial statements which are publicly available. The Company is also, on this basis, exempt from the requirement of FRS 1 to present a cash flow statement.

(ii) *Investments*

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

(iii) *Taxation*

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

Deferred taxation is provided on timing differences, arising from the different treatment for accounts and taxation purposes of events and transactions recognised in the financial statements of the current and previous years. Deferred taxation is calculated at the rates at which it is estimated that taxation will arise, without discounting.

Deferred taxation assets are recognised to the extent that it is regarded as more likely than not that there will be suitable taxable profits against which the deferred tax asset can be recoverable in future periods.

(iv) *Related parties*

Under FRS 8 the Company is exempt from the requirement to disclose related party transactions within the RWE AG group and its associated undertakings on the grounds that it is a wholly owned subsidiary undertaking of RWE AG, a company registered in Germany.

(v) *Dividends*

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

(vi) *Interest*

All interest is charged to the profit and loss account as incurred.

Notes to the financial statements

For the year ended 31 December 2008

2 Income from shares in group undertaking

The Company has received dividends totalling £451,000,000 from RWE Npower plc, a subsidiary of RWE Npower Holdings plc (2007: £250,000,000).

3 Net interest receivable / (payable)

	Year Ended 31 December 2008 £'m	Year Ended 31 December 2007 £'m
Net group interest and similar charges receivable / (payable)	<u>8</u>	<u>(3)</u>

4 Profit on ordinary activities before taxation

Auditors' remuneration is paid for and accrued by RWE Npower plc, a subsidiary of RWE Npower Holdings plc.

5 Directors' and employees' remuneration

The Company has no employees. Consequently none of the directors received any remuneration for their services as directors of the Company. During the year aggregate emoluments of £2.4m were paid to the directors (2007: £2.3m) for their services as directors of subsidiary companies. Of those serving as directors of subsidiary companies, the highest paid director was paid £835,347 (2007: £821,860).

Three (2007: three) of the directors had accrued pension entitlements under defined benefit schemes at 31 December 2008. The accrued pension entitlement at 31 December 2008 of the highest paid director was £202,000 (2007: £182,000). In total directors' pension contributions for the year were £47,000 (2007: £43,000). No directors had accrued pension entitlements under defined contribution schemes (2007: none).

None (2007: four) of the directors received or became entitled to receive shares in RWE AG under long-term incentive schemes in the financial year. Two (2007: four) of the directors exercised share options for shares in RWE AG in the financial year.

Notes to the financial statements

For the year ended 31 December 2008

6 Tax on profit on ordinary activities

	Year Ended 31 December 2008 £'m	Year Ended 31 December 2007 £'m
Current tax:		
Group relief (payable) / receivable	(2)	1
Total (charge) / credit on profit on ordinary activities	(2)	1

The current tax charge for the year is lower (2007: credit is lower) than the standard rate of corporation tax in the UK (28.5%) (2007: 30%). The differences are explained below: -

	Year Ended 31 December 2008 £'m	Year Ended 31 December 2007 £'m
Profit on ordinary activities before taxation	459	246
Tax charge based on profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28.5% (2007: 30%)	(131)	(74)
Effects of:		
Non-taxable UK dividend income received	129	75
Current tax (charge) / credit for the year	(2)	1

The standard rate of corporation tax in the UK changed to 28% with effect from 1 April 2008.

Notes to the financial statements
For the year ended 31 December 2008

7 Fixed asset investments

	31 December 2008 £'m	31 December 2007 £'m
Subsidiary undertakings	112	112

Subsidiary undertakings

The Company has investments in the following subsidiary undertakings:

	Country of incorporation or principal business address	Holding	%
RWE Npower plc	England	Ordinary Shares	100
Regenesys Holdings Limited	England	Ordinary Shares	100

8 Debtors : Amounts falling due within one year

	31 December 2008 £'m	31 December 2007 £'m
Amounts owed by group undertakings	544	241
Group relief	1	1
	545	242

Amounts owed by group undertakings are unsecured, interest bearing at LIBOR minus ½% and are due to be repaid in December 2009.

Notes to the financial statements
For the year ended 31 December 2008

9 Creditors: Amounts falling due within one year

	31 December 2008 £'m	31 December 2007 £'m
Amounts owed to group undertakings	-	(6)
Group relief	(2)	-
	<u>(2)</u>	<u>(6)</u>

10 Called-up share capital

	31 December 2008 £'m	31 December 2007 £'m
<i>Authorised</i>		
1,710,000,000 (2007: 1,710,000,000) ordinary shares of 10 pence each	<u>171</u>	<u>171</u>
<i>Allotted, called-up and full-paid</i>		
1,163,200,845 (2007: 1,163,200,845) ordinary shares of 10 pence each	<u>116</u>	<u>116</u>

11 Dividends

	31 December 2008 £'m	31 December 2007 £'m
<i>Equity – Ordinary</i>		
Interim Paid: 12.9p (2007: 8.6p) per 10p share	<u>(150)</u>	<u>(100)</u>

Notes to the financial statements

For the year ended 31 December 2008

12 Reserves

	Share premium account £'m	Other reserves £'m	Profit and Loss account £'m	Total £'m
At 1 January 2008	82	(6)	156	232
Profit for the year	-	-	457	457
Dividends	-	-	(150)	(150)
At 31 December 2008	82	(6)	463	539

13 Reconciliation of movement in shareholders' funds

	31 December 2008 £'m	31 December 2007 £'m
Profit for the financial year	457	247
Dividends	(150)	(100)
Net movement in shareholders' funds	307	147
Opening shareholders' funds	348	201
Closing shareholders' funds	655	348

14 Financial commitments

The Company had no financial commitments as at 31 December 2008 (2007: nil).

15 Ultimate parent undertaking and controlling party

The directors regard RWE AG, a company incorporated in Germany, as the ultimate parent company and the ultimate controlling party.

RWE AG is the parent company of the largest and smallest group of which the Company is a member and for which group financial statements are drawn up. Copies of the consolidated financial statements are available from RWE AG, Opernplatz 1, 45128 Essen, Germany.