Company Registration No. 02550622 (England and Wales)

RWE RENEWABLES UK SWINDON LIMITED (FORMERLY INNOGY RENEWABLES UK LIMITED)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

RWE RENEWABLES UK SWINDON LIMITED (FORMERLY INNOGY RENEWABLES UK LIMITED)

COMPANY INFORMATION

Directors	B Freeman	
	R Sandford	
	A Chatterton	(Appointed 1 July 2020)
	T Glover	(Appointed 1 July 2020)
	A Greenslade	(Appointed 1 July 2020)
	J Lees	(Appointed 1 July 2020)
Company secretary	P Sainsbury	
Company number	02550622	
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 UK SWINDON LIMITED (FORMERLY INNOGY RENEWABLES UK LIMITED)

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RWE RENEWABLES UK SWINDON LIMITED (FORMERLY INNOGY RENEWABLES UK LIMITED)

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present the Strategic Report for the year ended 31 December 2019.

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

The purpose of the Strategic Report is to inform members of the company and help them assess how the directors have performed their duty under section 172 (duty to promote the success of the company).

The Board of RWE Renewables UK Swindon Limited (formerly Innogy Renewables UK Limited) believe 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 operation and maintenance of wind farms and the development of consented renewable power generation sites. As described further in the fair review of the business below the directors have continued with this business strategy by approving the formation of new companies, Awel y Mor Offshore Wind Farm Limited and Five Estuaries Offshore Wind Farm Limited for offshore wind farm projects, and Glen Kyllachy Wind Farm Limited for an onshore wind farm project. The Board reviewed the short-term and long-term cashflows to ensure these projects were economically viable, will become cash generating assets, and are therefore in accordance with the primary business activity. The directors have also approved the budget for 2020 and the plan for the following years. In doing so, the Board have ensured the business can meet the company's cashflow requirements ensuring prompt supplier payments and other liabilities are met as they fall due.

The directors, having taken into consideration the risks and uncertainties of the company's cash flow forecasts and projections, including the company's commitment to provide support to its subsidiary and joint venture undertakings, have approved a dividend of £70m. Furthermore, the directors also considered the interests of employees and other stakeholders in making this decision noting that the Chair of Pension Trustees had approved the dividend and that the company had sufficient cash resources to make the pension deficit repair contributions in line with the future agreed deficit repair plan. The dividend approved was in accordance with RWE AG Group policy (a policy that has been agreed by the Pension Trustees) which takes a conservative approach to ensure there are sufficient funds to meet liabilities as they fall due, and to support the continued growth of the company.

Employee engagement
The people development strategy fosters growth for all people within the company and is aimed at supporting them in their current and future roles. The Board actively support and deliver 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. In addition, events have been held giving staff the opportunity to meet the Board and the Head of Human Resources. Information is further communicated to staff with lunch and learn topical briefing sessions, frequent news bulletins via e-mail, and continuously online and via local office TV screens. Recognising the value of Service, the Board has signed the Armed Forces Covenant. 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 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 supports 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 has an actuarial valuation performed by law. The most recent valuation took place at 31 March 2019. The Board, having assessed its financial impact on the company, have approved the valuation and agreed a funding plan with the pension scheme Trustees for the next 3 years. The underlying contributions for the defined contribution schemes were addressed as part of this exercise.

Business relationships
The company follows the RWE AG Group 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 AG Group has implemented 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 AG Group 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 the RWE AG Group HSE Requirements for contractors working on wind farm sites.

The company supports suppliers by paying promptly in line with the terms agreed between the parties. On average payment is made within 30 days. E-invoicing is also offered to assist supplier processes. Key suppliers for wind farms include the land owners. These are often individuals who have little or no experience of the electricity market. The company ensures they have a relationship manager who they can call directly to assist with queries or issues.

The company sells its electrical output and other associated benefits directly to another Group company, RWE Supply and Trading GmbH, under power purchase agreements (“PPAs”). The company strictly follows these agreements in order to maintain good business relations.

Community and the environment
During 2019 the company contributed £1,350k to local community funds. Community funds are set up to meet the needs of the area local to the company's renewable energy projects and take the form of an annual fund which is available each year of the operational lifetime of a project. The Board aims to put the decision making in the hands of local representatives – so local people can take responsibility for how their community is supported. They support a wide range of projects such as building and maintaining community buildings, electric vehicles for community transport schemes, education and training to help people back into employment and to set up small businesses and social projects for example friendship groups, bereavement counselling and projects that support the homeless.

Wind farms create a lot of extra business for the local community as the company looks to engage with local suppliers where possible. As part of any new operation a Lobby is held to give the local community a chance to ask questions, but also provides a platform to demonstrate the economic benefit to the local communities. An annual review is taken of regional supplier spend to show the benefits to the local communities.

2019 saw the launch of the Bad a Cheo Wind Farm fund which included an innovative education and training grants program. The Mynydd y Gwair Wind Farm fund was also launched and a fund for the Bad a Cheo Wind Farm was approved by the Board.

The company also delivers corporate community programs:

- The £4£ scheme supports the fundraising endeavours of staff by match funding up to £500 per staff member for the registered charity they have chosen to support. In 2019 £4k was donated through this scheme.
- Community Volunteer Award supports the activities of staff who volunteer with a charity in their own time making a donation up to £500 per member of staff to the charity they are supporting by donating their time. In 2019 £6k was donated through this scheme.

The company is dedicated to generating electricity using sustainable energy resources and constructing renewable energy generation sites. During the year the Board decided to continue with the development of the Glen Kyllachy wind farm located in the Highlands, south of Inverness. As part of this project, the company has worked with local authorities to ensure adequate and appropriate wildlife conservation steps are in place to promote the protection and growth of animals and plants during and after the construction.

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 AG Group the company follows the RWE AG Group 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.

Fair review of the business
Throughout the year under review the company continued to operate and maintain wind farms and hydro sites, develop consented renewable power generation projects, and identify and submit planning applications for potential wind farms and hydro sites. In addition, the company provided related services, including off-take arrangements in respect of affiliated companies.

In December 2017, the Board received an offer for and approved the sale of the Stanley Mills hydro plant asset, however, due to unforeseen difficulties in the sale process this was delayed. During 2018 the Board reviewed the terms of the original sale agreement and agreed a new sale price with the purchaser. As a result of the new agreed sale price, the asset was impaired to the new value. The sale was completed in March 2019, see note 19 for further details.

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 net assets and results after tax.

The company's key financial and other performance indicators during the year were as follows:

	Unit	2019	2018
Profit for the financial year	£ 000	134,134	623,776
Net assets	£ 000	2,044,861	2,019,238
Total assets less current liabilities	£ 000	3,054,803	3,016,845

Profit for the financial year 2018 included £545,784k of exceptional income from the the sale of 41% of Triton Knoll Holdco Limited.

The results for the year are presented on page 15 of the financial statements. The position of the company as at 31 December 2019 is provided on page 17 - 18 of the financial statements.

Principal risks and uncertainties
The principal risks and uncertainties facing the business are:

- the ability to obtain consent for identified wind farms;
- the lead time of the planning, development and construction of wind farms;
- adverse changes in the regulatory and political environment in the renewable energy market place;
- average wind speeds falling significantly below expectations, having a negative impact on revenues and cash flows.

These risks are mitigated by ensuring regulatory compliance, undertaking of political and regulatory analysis and working with national and international expert committees and associations to ensure projects meet the necessary criteria for UK development. Availability and wind speed risk is managed using availability incentives and monitoring of operational efficiency of wind farms, taking remedial action where required.

The company does not see COVID-19 as a key risk to the business. This is due to a number of contributing factors as follows:

- The company is part of the RWE AG Group which is a global business with access to sufficient funding for short-term declines in volumes and prices. In the unlikely event that support from the ultimate parent company may be required, the directors' are confident this can be obtained;
- Government subsidies have been agreed and set in advance with a fixed mechanism;
- Project lives range between 20-23 years which means natural fluctuations in short-term volumes and prices have little impact on the overall NPV of a projects lifetime profitability;
- The RWE AG Group maintains relationships with multiple suppliers for turbine components which means there is no key supplier risk;
- The principal customers are within the RWE AG Group and therefore the risk of default is low.

As there are no significant issues around cashflow, debt recovery and overall project profitability, it is appropriate to conclude that COVID-19 is not a key risk.

Further details can be found in the Directors' report on pages 5 to 9.

On behalf of the board

B Freeman
Director
4 December 2020

The directors present their annual report and the audited financial statements for the year ended 31 December 2019.

With effect from 2 September 2020 the company name was changed from Innogy Renewables UK Limited to RWE Renewables UK Swindon Limited.

The corporate governance statement set out on pages 10 to 11 forms part of this report.

Principal activities
The principal activity of the company is the development, construction, operation and maintenance of renewable power generation projects, and the provision of related services, including off-take arrangements in respect of affiliated companies.

Results and dividends
The results for the year are set out on page 15.

During the year, the directors proposed and paid ordinary interim dividends of £70,000,000 (2018: £287,000,000). 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:

B Freeman	
K Moseley	(Resigned 30 June 2020)
R Sandford	
P Cowling	(Resigned 20 January 2020)
M Parker	(Resigned 30 June 2020)
M Drury	(Resigned 1 August 2020)
C Hennessy	(Resigned 30 June 2020)
A Chatterton	(Appointed 1 July 2020)
T Glover	(Appointed 1 July 2020)
A Greenslade	(Appointed 1 July 2020)
J Lees	(Appointed 1 July 2020)

Directors' insurance
The directors are indemnified to the extent permitted by law and the company’s Articles of Association in respect of all losses arising out of or in connection with the execution of their powers, duties and responsibilities. Deeds of indemnity are executed for the benefit of each director in respect of liabilities which may attach to them in their capacity as directors of the company. Neither the indemnities nor the insurance provide cover in the event that the director is proved to have acted fraudulently.

Financial instruments

Financial risk management
Objectives and policies
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
RWE Renewables UK Holdings Limited continues to provide funding and support to the company to enable the continued investment in the development of wind farm projects and to meet all liabilities as they fall due.

Interest rate risk
The company's activities expose it to interest rate risk. The company's risk management programme seeks to minimise potential adverse effects on the company's financial performance arising from the unpredictability of financial markets.

Interest on funds owed to the company by group undertakings are linked to LIBOR and Bank of England base rates.

Currency risk
Where a contract with the supplier of components used in the construction of a wind farm requires payments to be made in a foreign currency the company actively seeks to hedge its exposure against movements in exchange rates through the use of forward contracts.

Credit risk
The company continues to provide financial support to subsidiary undertakings that are being used to construct and operate designated wind farm projects. The company does not seek repayment of amounts due from subsidiary undertakings prior to completion of construction and commencement of commercial operations.

Price risk
The company's activities expose it to price risk arising from the sale of electricity and Renewable Obligations Certificates (ROCs). The directors monitor the effects of changes to electricity and ROC prices and consider that this risk is acceptable to the business at the individual entity level.

Research and development
The company continues to develop consented wind farm projects, and identify and submit planning applications for potential wind farm sites. It is believed that the continued investment in development is fundamental to the continuing growth of the business.

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.

Post reporting date events

On 11 March 2020, the World Health Organisation declared a global pandemic in respect of the outbreak of COVID-19. Governments in affected areas have imposed a number of measures designed to contain the outbreak, including business closures, travel and work restrictions, stay at home orders and cancellations of gatherings and events. The spread of COVID-19 has resulted in an economic downturn in the UK and the global economy more widely, as well as causing increased volatility and declines in financial and electricity markets. If the pandemic is prolonged, or further diseases emerge that give rise to similar effects, the adverse impact on the global economy could be deepened and result in further declines in financial and electricity markets.

Restrictions in the UK have been slowly eased whilst the rate of infection has stabilised. To date, the company has not seen a material impact on its operations as a result of COVID-19. Given the contracted and stable nature of the company’s revenue and cost profile, no material impact from COVID-19 is expected on financial performance. The company’s crisis management teams and business continuity plans have responded swiftly and effectively to the outbreak of COVID-19 and continue to monitor the risks to the business.

On 30 June 2020, RWE AG, through its subsidiaries, acquired the renewable energy division of innogy SE, including the entire shareholding of RWE Renewables UK Holdings Limited (formerly Innogy Renewables UK Holdings Limited). After this date, the ultimate parent company was no longer E.ON SE but was 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.

On 1 July 2020, RWE Renewables UK Swindon Limited (formerly Innogy Renewables UK Limited) transferred all of its assets relating to the Hydro segment to RWE Generation UK Plc. The transfer price was agreed at the book value of the Hydro assets.

With effect from 1 September 2020 all employees of RWE Renewables UK Swindon Limited (formerly Innogy Renewables UK Limited) were transferred to RWE Renewables Management UK Limited under the provisions of the Transfer of Undertakings (Protection of Employment) Regulations 2006 (“TUPE”). Prior to the transfer a series of collective consultation meetings were held with the concerned employees and elected employee representatives in order to consult on the TUPE transfer process.

Future developments

The company intends to continue the development and operation of renewable generation projects. The company will also identify and research opportunities arising from emerging renewable technologies.

Independent auditors

PricewaterhouseCoopers LLP are deemed to be re-appointed as 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.

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 the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing 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 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.

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

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
On 11 March 2020, the World Health Organisation declared a global pandemic in respect of the outbreak of COVID-19. Governments in affected areas have imposed a number of measures designed to contain the outbreak, including business closures, travel and work restrictions, stay at home orders and cancellations of gatherings and events. The spread of COVID-19 has resulted in an economic downturn in the UK and the global economy more widely, as well as causing increased volatility and declines in financial and electricity markets. If the pandemic is prolonged, or further diseases emerge that give rise to similar effects, the adverse impact on the global economy could be deepened and result in further declines in financial and electricity markets.

The company sells its electrical output and other associated benefits directly to another Group company, RWE Supply and Trading GmbH, under power purchase agreements (“PPAs”). Whilst power prices are set using day ahead prices, Renewable Obligation Certificates (“ROCs”) have a minimum guaranteed price. Accordingly, the company has to date been largely protected from the additional market volatility created by the COVID-19 pandemic.

Onsite operational and maintenance activities are undertaken by DWT, Nordex, Enercon and in-house engineers. This consists of regular planned maintenance, servicing, plant condition monitoring and unplanned repairs. On a daily basis this generally requires minimum manpower and can usually be undertaken whilst observing social distancing rules. In respect of the COVID-19 pandemic, the company has worked diligently to ensure only critical activities have continued during the height of the pandemic, and other activities have been scheduled only where proper social distancing could be maintained.

To date, the company has not seen a material impact on its operations as a result of COVID-19. The impact of COVID-19 on cashflow, debt recovery and overall project profitability has been assessed with no significant impact expected. Given the contracted and stable nature of the company’s revenue and cost profile, no material impact from COVID-19 is expected on financial performance. The company’s crisis management teams and business continuity plans have responded swiftly and effectively to the outbreak of COVID-19 and continue to monitor the risks to the business.

The directors have fully considered the risks and uncertainties of the company's cash flow forecasts and projections, including the company’s commitment to provide support to its subsidiary and joint venture undertakings in accordance with the respective joint operation agreements for each entity.

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. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

On behalf of the board

B Freeman
Director

4 December 2020

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

The company has not formally adopted one of the UK governance codes because the UK group is governed by internal rules set by RWE AG. RWE AG publishes its corporate governance code which complies with the recommendations of the German Corporate Governance Code. During the year to 31 December 2019, the company followed the internal rules set by innogy SE. innogy SE publishes its corporate governance code which complies with the recommendations of the German Corporate Governance Code.

Corporate governance is the term used to designate the framework of rules applied to manage and monitor companies. It stands for company management and control that is sustainable, responsible, transparent and oriented towards longer-term success. The object of the Code is to strengthen the trust of investors, customers, employees and the public in large or listed UK companies.

RWE AG has established a compliance management system in line with the German Corporate Governance Code and has a compliance organisation headed by the Chief Compliance Officer at the level of RWE AG, and Compliance Officers in all of the Group's operating businesses. The RWE Renewables UK Swindon Limited (formerly Innogy Renewables UK Limited) Board has appointed a Compliance Officer to ensure UK compliance with the RWE AG rules e.g. to ensure that all employees take the mandatory code of conduct and compliance training, are able to report whistleblowing and to provide regular reporting on compliance issues to the Audit committee of RWE AG.

The company has complied with all of the Code's recommendations without limitation. As the company operates in the UK it is important that any UK specific requirements are also adhered to.

The German Corporate Governance Code closely follows the UK requirements and therefore no departure is required. However, there are some specific requirements within the UK which are not relevant in Germany. The RWE Renewables UK Swindon Limited (formerly Innogy Renewables UK Limited) Board ensures these country specific requirements are known and complied with by appointing:

- Local company secretarial team who review the UK corporate governance requirements, updates the Board with changes, and monitor compliance;
- Local regulatory compliance team who recommends appropriate ways comply and coordinate the relevant reports.

The current specific UK requirements that are considered are:

- Payment reporting practices
- Section 172 requirements
- Modern Slavery Act compliance
- Gender pay gap reporting

As the company is a wholly owned subsidiary there are certain governance roles which are managed by the various RWE AG committees and some which are managed locally by the RWE Renewables UK Swindon Limited (formerly Innogy Renewables UK Limited) board. The RWE Renewables UK Swindon Limited (formerly Innogy Renewables UK Limited) Board consists of senior managers from each divisional segment, with the purpose to:

- Review local country requirements and ensure these are adhered to;
- Appraise capital investment projects up to a limit of £5m;
- Review the financial, and operational performance of the company;
- Ensure appropriate health & safety measures are in place;
- Review HR performance of the company and its employees;
- Ensure the company, and its employees, adhere to the RWE AG Code of Conduct

The members of the RWE Renewables UK Swindon Limited (formerly Innogy Renewables UK Limited) board are obligated to notify of any personal transactions or conflicts of interests whilst performing their tasks and responsibilities in their capacity as a board member.

Further information has been published on innogy's website which can be accessed via this link https://iam.innogy.com/en/about-innogy/innogy-at-a-glance/responsibility/corporate-governance.

Further information has been published on RWE's website which can be accessed via this link group.rwe/en/investor-relations/corporate-governance.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF RWE RENEWABLES UK SWINDON LIMITED (FORMERLY INNOGY RENEWABLES UK LIMITED)

Report on the audit of the financial statements

Opinion

In our opinion, RWE Renewables UK Swindon Limited (formerly Innogy Renewables UK Limited)'s financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 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 2019; 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require 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 2019 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.

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 received 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.

N Comello

Nigel Comello (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
4 December 2020

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £ 000	2018 as restated* £ 000
Revenue		538,340	505,375
Cost of sales		(507,022)	(529,813)
Gross profit/(loss)		31,318	(24,438)
Administrative expense		(9,130)	(8,064)
Other operating income		48,814	30,213
Operating profit/(loss)	**5**	71,002	(2,289)
Income from shares in group undertakings	**9**	85,622	96,894
Interest receivable from group undertakings	**9**	46,003	49,658
Other finance income	**9**	103,801	100,225
Finance costs	**10**	(153,187)	(145,126)
Other gains and losses	**11**	(2,242)	56,800
Impairment charges	**4**	-	(48,420)
Profit on disposal of investments	**4**	-	545,784
Profit before taxation		150,999	653,526
Tax on profit	**12**	(16,865)	(29,750)
Profit for the financial year		134,134	623,776

*Refer to note 1 for details of restatement.

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

RWE RENEWABLES UK SWINDON LIMITED (FORMERLY INNOGY RENEWABLES UK LIMITED)

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 £ 000	2018 as restated* £ 000
Profit for the financial year	134,134	623,776
Other comprehensive (expense)/income:		
Items that will not be reclassified to profit or loss		
Actuarial (loss)/gain on defined benefit pension schemes	(43,875)	97,151
Tax relating to defined benefit pension schemes	5,004	(15,982)
Total items that will not be reclassified to profit or loss	(38,871)	81,169
Items that may be reclassified to profit or loss		
Cash flow hedges:		
Hedging gain/(loss) arising in the year	433	(1,378)
Tax relating to cash flow hedges	(73)	234
Total items that may be reclassified to profit or loss	360	(1,144)
Total other comprehensive (expense)/income for the year	(38,511)	80,025
Total comprehensive income for the year	95,623	703,801

*Refer to note 1 for details of restatement

RWE RENEWABLES UK SWINDON LIMITED (FORMERLY INNOGY RENEWABLES UK LIMITED)

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

		2019		2018 as restated*	
	Notes	**£ 000**	**£ 000**	**£ 000**	**£ 000**
Fixed assets					
Intangible assets	**13**		1,230		1,479
Property, plant and equipment	**14**		617,309		510,094
Property, plant and equipment held for sale	**19**		-		681
Investments	**15**		1,142,041		1,143,291
			1,760,580		1,655,545
Current assets					
Inventories		822		191	
Trade and other receivables	**18**	1,705,867		1,662,136	
Cash and cash equivalents		3,002		993	
		1,709,691		1,663,320	
Current liabilities					
Borrowings	**20**	224,306		136,550	
Trade and other payables	**21**	171,517		155,366	
Taxation and social security		17,229		9,080	
Derivative financial instruments		591		1,024	
Lease liabilities	**22**	1,825		-	
		415,468		302,020	
Net current assets			1,294,223		1,361,300
Total assets less current liabilities			3,054,803		3,016,845
Non-current liabilities					
Borrowings	**20**	1,050,784		1,132,584	
Lease liabilities	**22**	33,088		-	
			(1,083,872)		(1,132,584)
Provisions for liabilities					
Deferred tax liabilities	**23**	16,550		18,894	
Other provisions	**24**	51,520		29,529	
			(68,070)		(48,423)
Net assets excluding pension surplus			1,902,861		1,835,838
Defined benefit pension surplus	**25**		142,000		183,400
Net assets			2,044,861		2,019,238

RWE RENEWABLES UK SWINDON LIMITED (FORMERLY INNOGY RENEWABLES UK LIMITED)

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2019

		2019		2018 as restated*	
	Notes	**£ 000**	**£ 000**	**£ 000**	**£ 000**
Equity					
Called up share capital	**26**		75,369		75,369
Share premium account			1,067,446		1,067,446
Hedging reserve			(490)		(850)
Retained earnings			902,536		877,273
Total equity			2,044,861		2,019,238

*Refer to note 1 for details of restatement.

The financial statements were approved by the board of directors and authorised for issue on 4 December 2020 and are signed on its behalf by:

B Freeman
Director

Company Registration No. 02550622

RWE RENEWABLES UK SWINDON LIMITED (FORMERLY INNOGY RENEWABLES UK LIMITED)

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Called up share capital £ 000	Share premium account £ 000	Hedging reserve £ 000	Retained earnings £ 000	Total £ 000
Balance at 1 January 2018		75,369	1,067,446	294	459,328	1,602,437
Year ended 31 December 2018:						
Profit for the year		-	-	-	623,776	623,776
Other comprehensive income/ (expense):						
Actuarial gains on defined benefit plans		-	-	-	97,151	97,151
Cash flow hedges losses		-	-	(1,378)	-	(1,378)
Tax relating to other comprehensive income		-	-	234	(15,982)	(15,748)
Total comprehensive income for the year		-	-	(1,144)	704,945	703,801
Dividends		-	-	-	(287,000)	(287,000)
Balance at 31 December 2018		75,369	1,067,446	(850)	877,273	2,019,238
Year ended 31 December 2019:						
Profit for the year		-	-	-	134,134	134,134
Other comprehensive (expense)/ income:						
Actuarial losses on defined benefit plans		-	-	-	(43,875)	(43,875)
Cash flow hedges gains		-	-	433	-	433
Tax relating to other comprehensive expense		-	-	(73)	5,004	4,931
Total comprehensive income for the year		-	-	360	95,263	95,623
Dividends		-	-	-	(70,000)	(70,000)
Balance at 31 December 2019		75,369	1,067,446	(490)	902,536	2,044,861

1 Accounting policies

Company information

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

1.1 Accounting convention

The financial statements have been prepared in accordance with the Companies Act 2006, as applicable to companies using 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 financial instruments that are measured at fair value through profit or loss, assets held for sale, measured at fair value less costs to sell and defined benefit pension plan, where plan assets are measured at fair value and in accordance with the Companies Act 2006 as applicable to companies using FRS 101 Reduced Disclosure Framework. 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.

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 33.

1 Accounting policies **(Continued)**

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated financial statements. The financial statements present information about the company as an individual entity and not about its group.

RWE Renewables UK Swindon Limited (formerly Innogy Renewables UK Limited) is a wholly owned subsidiary of RWE Renewables UK Holdings Limited (formerly Innogy Renewables UK Holdings Limited) and the results of RWE Renewables UK Swindon Limited (formerly Innogy Renewables UK Limited) are included in the consolidated financial statements of 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 company previously presented the primary statements following the formats as prescribed in IAS 1, Presentation of Financial Statements. During the year, the company changed its accounting policy in respect of presenting financial statements to follow the primary statement formats as prescribed by the Companies Act. The company believes the new policy is preferable as it more closely aligns the accounting with the treatment by its parent company and will aid comparability. This change in classification has been accounted for retrospectively and comparative information has been restated.

Categories restated in the Income Statement for the year ended 31 December 2018			
	As originally reported	Adjustment	As restated
	£000	£000	£000
Gross profit/(loss)			
Other operating income	30,213	(30,213)	-
Operating (loss)/profit			
Other operating income	-	30,213	30,213
Interest receivable and simillar income	149,883	(149,883)	-
Interest receivable from group undertakings	-	49,658	49,658
Other finance income	-	100,225	100,225

Categories restated in the Statement of comprehensive income for the year ended 31 December 2018

	As originally reported	Adjustment	As restated
	£000	£000	£000
Items that will not be reclassified subsequently			
to profit or loss			
Actuarial gain on defined benefit pension schemes before tax	96,300	(96,300)	-
Actuarial gain on supplementary pension plan before tax	851	(851)	-
Actuarial gain on defined benefit pension schemes	-	97,151	97,151
Current tax effect on contributions to defined pension scheme	6,045	(6,045)	-
Current tax effect on supplementary pension scheme	(876)	876	-
Deferred tax effect on actuarial gain on defined benefit pension scheme	(21,780)	21,780	-
Deferred tax effect on supplementary pension scheme	629	(629)	-
Tax relating to defined benefit pension schemes	-	(15,982)	(15,982)

1 Accounting policies **(Continued)**

Categories restated in the Statement of Financial Position as at 31 December 2018			
	As originally reported	Adjustment	As restated
	£000	£000	£000
Fixed assets			
Property, plant and equipment held for sale	-	681	681
Net pension scheme assets	183,400	(183,400)	-
Current assets			
Assets classified as held for sale	681	(681)	-
Defined benefit pension surplus	-	183,400	183,400

1.2 Going concern

On 11 March 2020, the World Health Organisation declared a global pandemic in respect of the outbreak of COVID-19. Governments in affected areas have imposed a number of measures designed to contain the outbreak, including business closures, travel and work restrictions, stay at home orders and cancellations of gatherings and events. The spread of COVID-19 has resulted in an economic downturn in the UK and the global economy more widely, as well as causing increased volatility and declines in financial and electricity markets. If the pandemic is prolonged, or further diseases emerge that give rise to similar effects, the adverse impact on the global economy could be deepened and result in further declines in financial and electricity markets.

The company sells its electrical output and other associated benefits directly to another Group company, RWE Supply and Trading GmbH, under power purchase agreements (“PPAs”). Whilst power prices are set using day ahead prices, Renewable Obligation Certificates (“ROCs”) have a minimum guaranteed price. Accordingly, the company has to date been largely protected from the additional market volatility created by the COVID-19 pandemic.

Onsite operational and maintenance activities are undertaken by DWT, Nordex, Enercon and in-house engineers. This consists of regular planned maintenance, servicing, plant condition monitoring and unplanned repairs. On a daily basis this generally requires minimum manpower and can usually be undertaken whilst observing social distancing rules. In respect of the COVID-19 pandemic, the company has worked diligently to ensure only critical activities have continued during the height of the pandemic, and other activities have been scheduled only where proper social distancing could be maintained.

To date, the company has not seen a material impact on its operations as a result of COVID-19. The impact of COVID-19 on cashflow, debt recovery and overall project profitability has been assessed with no significant impact expected. Given the contracted and stable nature of the company’s revenue and cost profile, no material impact from COVID-19 is expected on financial performance. The company’s crisis management teams and business continuity plans have responded swiftly and effectively to the outbreak of COVID-19 and continue to monitor the risks to the business.

The directors have fully considered the risks and uncertainties of the company's cash flow forecasts and projections, including the company’s commitment to provide support to its subsidiary and joint venture undertakings in accordance with the respective joint operation agreements for each entity.

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.

1 Accounting policies **(Continued)**

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. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

1.3 Revenue

Revenue comprises the fair value of the consideration received or receivable in respect of the invoiced and accrued value of generated electricity, Renewable Obligations Certificates (ROCs) and Contracts for Difference (CfDs). Revenue is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the company.

Revenue represents income from power purchase agreements relating to the generation of electricity from wind farm sites. Revenue comprises the value of units and ROCs supplied during the year and is recognised when the performance obligation has been satisfied, which is when the electricity is delivered. Units are determined by energy volumes recorded on the wind farm meters and market settlement systems. ROCs granted to the company are recognised as eligible electricity is generated and is immediately transferable to the customer.

The Contracts for Difference (CfD) scheme replaced the old Renewables Obligation (RO) scheme which ended on 31 March 2017 and is the government's current mechanism for supporting low-carbon electricity generation which is delivered through a contract with the Low Carbon Contracts Company (LCCC), a government-owned company. The company is paid a flat (indexed) rate for the electricity produced over a 15-year period; the difference between the 'strike price' (a price for electricity reflecting the cost of investing in a wind farm) and the 'reference price' (a measure of the average market price for electricity in the GB market).

Revenue is generated entirely within the United Kingdom.

Other operating income

Other operating income comprises compensation related to goods and services provided by the company to other connected Group companies. These activites are serviced under Management Services Deeds (MSD) which have a fixed mark-up included in the service fee.

Included in this balance is also income which is incidental to the company's principal business activities.

1.4 Intangible assets other than goodwill

Intangible assets relate to trademarks, licences (including software) and customer-related intangible assets acquired in a business combination. Development expenditure is written off as incurred except where the directors are satisfied that the project under development has sufficient likelihood to generate future economic benefits. In such cases the identifiable expenditure is capitalised as an intangible asset until commencement of construction. Subsequent expenditure is then capitalised as tangible fixed assets. Provision is made for any impairment.

Separately acquired trademarks and licences are shown at historical cost.

Trademarks, licences (including software) and customer-related intangible assets acquired in a business combination are recognised at fair value at the acquisition date.

Trademarks, licences and customer-related intangible assets have a finite useful life and are carried at cost less accumulated amortisation and any accumulated impairment losses.

1 Accounting policies **(Continued)**

Amortisation
Development costs are amortised from the date a project becomes operational.

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

Asset class	Amortisation rate
Software	3 years
Operating licence and development costs	20 years

1.5 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:

Leasehold land and buildings	10 Years
Computers, vehicles and equipment	3-5 years
Wind farms	20-23 years
Hydro assets	40 years

Assets in the course of construction are not depreciated.

Right-of-use assets capitalised under the asset classifications above have the same depreciation policy applied.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

1.6 Non-current investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

1.7 Impairment of tangible and intangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible and intangible 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)**

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

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.

1.8 Inventories

Inventories relate to spare parts to be used in the operation and maintenance of the wind farm. Inventories are stated at the lower of cost incurred in bringing each product to its present location and condition, or net realisable value.

Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

1.9 Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.10 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.

1.11 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.

1 Accounting policies (Continued)

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 (eg 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.

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 Accounting policies **(Continued)**

1.12 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.

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.

1.13 Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The company designates all derivatives as hedges of specific risks associated with the cash flows of recognised assets and liabilities and highly probably forecast transactions (cash flow hedges).

At inception of the hedge relationship, the company documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The company documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in the balance sheet. Movements in the hedging reserve in shareholders' equity are shown in the statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

1 Accounting policies **(Continued)**

Hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to any ineffective portion is recognised immediately in the profit and loss account, within other gains and losses.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in the profit and loss account within finance cost at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to the profit and loss account.

1.14 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. In this case, the tax is also recognised in other comprehensive income.

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.

1.15 Provisions

A provision for decommissioning of the wind farms is a requirement of lease agreements and made based on the company's best estimate of the current cost of decommissioning.

Provisions for decommissioning are recognised in full when the related facilities are constructed. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related plant and equipment. The amount recognised is the estimated cost of decommissioning, discounted to its net present value, and is reassessed each year in accordance with local conditions and requirements. Changes in the estimated timing of decommissioning costs estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to the wind farm cost. The unwinding of the discount on the decommissioning provision is included as a finance cost.

1 Accounting policies **(Continued)**

1.16 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 balance sheet in both 2019 and 2018 in respect of defined benefit pension plans as the fair value of plan assets exceeds the present value of the defined benefit obligation at the reporting date.

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 25.

1 Accounting policies **(Continued)**

Share based payments

The company operates both cash-settled compensation plans and equity share-based plans. In respect of the cash-settled plans, whereby RWE AG introduced a new cash-settled plan in 2016 ('SPP' - Strategic Performance Plan) to replace the previous plan (long-term incentive plan 'BEAT'), certain employees of the company are awarded options over performance shares which are linked to the performance of the shares in the ultimate parent undertaking, RWE AG, for the BEAT scheme in operation up to and including 2015 and the financial performance of innogy SE for the SPP scheme commencing in 2016. 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. As a result of the planned completion in Q3 2019 of the transaction agreed between RWE and E.ON, all provisions for BEAT and SPP were classified as short term in the financial statements for 2018. 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 balance sheet 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.

In respect of the equity share-based plans, eligible employees of the company are awarded options over the shares in the ultimate parent undertaking, RWE AG. Up to and including 2014, at the inception of a scheme, a hedge was put in place with a financial institution in order to purchase the required number of shares at the scheme option price on the date that employees are first able to exercise. The hedge is recognised as an asset, at cost, until exercised. No hedge was put in place for the 2015 scheme. The company did not operate a scheme in 2016, 2017, 2018 and 2019. The total amount over the scheme duration is determined by reference to the cost of the hedge for the schemes up to and including the 2014 scheme. The total amount to be expensed over the scheme duration for the 2015 scheme is determined by reference to the market price of a RWE AG share less the initial option price per share of the scheme.

In addition to the above plan, in 2018 the company started a new Share Incentive Plan, whereby eligible employees were able to choose to invest between £10 and £150 a month to buy innogy SE shares at market price on a monthly basis. The scheme was structured such that employees were entitled to one free share for every three purchased. It was the purchase of the free shares by the company at the point of entitlement that was the cost of the scheme to the company, which was expensed in the profit and loss. The first monthly share purchases were in February 2018. However, due to the impending RWE / E.ON transaction, the scheme was suspended after the purchases in July 2018. Further details on both schemes are contained within note 27.

1.17 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.

1 Accounting policies **(Continued)**

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 remeasured 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.

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.

1.18 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

In the current year, the following new and revised Standards and Interpretations have been adopted by the company and have an effect on the current period or a prior period or may have an effect on future periods:

IFRS 16 Leases

IFRS 16 Leases replaces IAS 17 Leases and the related interpretations IFRIC 4, SIC-15 and SIC-27. The company is applying the modified retrospective method in the initial adoption of the new standard from 1 January 2019. The comparatives for the 2018 reporting period have not been restated, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

The new accounting policies are disclosed in note 1.

On adoption of IFRS 16, the company recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate, because the lease contracts do not contain readily determinable implicit financing rates, as of 1 January 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6.49%.

2 Adoption of new and revised standards and changes in accounting policies (Continued)

In applying IFRS 16 for the first time, the company has used the following practical expedients permitted by the standard:

- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application.

The company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the company relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

Measurement of lease liabilities

The following reconciliation to the opening balance of lease liabilities as at 1 January 2019 results from the obligations from operating leases as at 31 December 2018.

Initial application of IFRS 16: Reconciliation	
	£000
Operating lease commitments disclosed as at 31 December 2018 under IAS 17	55,594
Adjustments for:	
Effect of discounting lease liabilities	7,866
Different treatment of extension and termination options	31,523
Finance lease liabilities recognised as at 1 January 2019	16,205

Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability.

Adjustments recognised in the statement of financial position on 1 January 2019

First time application of IFRS 16 affected the following items in the statement of financial position on 1 January 2019:

- Right-of-use assets (disclosed within property, plant and equipment) – increase by £16,205k.
- Lease liabilities – increase by £16,205k.

There was no impact on retained earnings on 1 January 2019.

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.

Property, Plant and Equipment
Property, plant and equipment represent a significant proportion of the assets of the company. Therefore the estimates and assumptions made to determine their carrying value and related depreciation are critical to the company's financial position and performance.

Estimation of useful economic life
The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in a reduced depreciation charge in the profit and loss account. The useful lives and residual values of the company's assets are determined by management at the time the asset is acquired and is based on the shorter of technical life, economic life and contractual rights. This is then reviewed annually for appropriateness and extended to the extent that the contractual rights allow it to be extended if considered appropriate.

During 2019 a review of the useful lives of assets took place. As a result the useful lives of some wind farms were extended from 20 years to a maximum 23 years.

Decommissioning provision
Amounts used in recording a provision for decommissioning of wind farms are estimates based on current legal and constructive requirements. Due to changes in relation to these items, the future actual cash outflows in relation to decommissioning are likely to differ in practice. To reflect the effects due to changes in legislation, requirements and technology and price levels, the carrying amounts of decommissioning provisions are reviewed on a regular basis. The effects of changes in estimates do not give rise to prior year adjustments and are dealt with prospectively over the estimated remaining useful lives for each wind farm. While the company uses its best estimates and judgement, actual results could differ from these estimates. In estimating decommissioning provisions, the company applied an annual average inflation rates of 2.00% (2018: 2.00%) and an average annual discount rates of 1.10% (2018: 1.50%).

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 balance sheet. The assumptions reflect historical experiences and current trends. See note 25 for the disclosures of the defined benefit pension scheme.

3 Critical accounting estimates and judgements (Continued)

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 net pension obligation in the balance sheet. See note 26 for further details.

ROC Subsidy price

Whilst the ROC scheme provides a guaranteed minimum value, the actual value per ROC generated isn't known until after the compliance period. This is due to the ROC price being based on total ROCs generated in the UK compared to supplier requirements to meet their obligations. In order to determine the relevant revenue for each financial year, management use an estimate for ROC prices using the innogy Group ROC price model, which takes into account expected generation for the UK.

Impairment of investments and loans to group undertakings

Loans to group undertakings and investments represent a significant proportion of the company's debtors. Management of the company continually monitors the financial position and commercial viability of its subsidiary undertakings and other investments. Provision for the impairment of balances receivable from these group undertakings is made when there is objective evidence that the company will not be able to collect all the amounts due, this process involves management judgement when assessing the likelihood of recoverability.

4 Exceptional items

	2019	2018
	£ 000	£ 000
Impairment charges	-	(48,420)
Profit on disposal of investments	-	545,784
	-	497,364

The company recognised impairment charges of £nil in 2019 (2018: £48,420k) which included an impairment in the investment in Greater Gabbard Offshore Winds Limited of £nil (2018: £48,297k) an impairment in the value of the Stanley Mills hydro plant of £nil (2018: £123k) which was sold in March 2019.

The 2018 profit on disposal of investments of £545,784k relates to the sale of 41% of Triton Knoll Holdco Limited.

5 Operating profit/(loss)

	2019	2018
	£ 000	£ 000
Operating profit for the year is stated after charging/(crediting):		
Exchange losses	438	93
Depreciation of property, plant and equipment	26,348	17,533
Profit on disposal of property, plant and equipment	(20)	(27)
Amortisation of intangible assets	249	249

6 Auditors' remuneration

Fees payable to the company's auditors and associates:	**2019 £ 000**	**2018 £ 000**
For audit services		
Audit of the financial statements of the company	118	70
Audit of the financial statements of group companies	122	91
	240	161

7 Employees

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

	2019 Number	**2018 Number**
Production	396	341
Administration and support	81	72
Management service functions	60	69
Total	537	482

Their aggregate remuneration comprised:

	2019 £ 000	**2018 £ 000**
Wages and salaries	38,501	34,574
Social security costs	4,192	3,769
Other pension costs	7,737	22,660
Share-based payment expenses	297	752
	50,727	61,755

8 Directors' remuneration

	2019 £ 000	**2018 £ 000**
Remuneration for qualifying services	1,584	1,313

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

Remuneration for qualifying services	375	345

9 Finance income

	2019	2018
	£ 000	£ 000
Interest income		
Interest on bank deposits	1	7
Interest on the net defined benefit asset	103,800	96,500
Interest receivable from group companies	46,003	49,658
Other interest income	-	3,718
Total interest revenue	149,804	149,883
Income from fixed asset investments		
Income from shares in group undertakings	85,622	96,894
Total finance income	235,426	246,777

10 Finance costs

	2019	2018
	£ 000	£ 000
Interest on financial liabilities measured at amortised cost:		
Interest payable to group undertakings	50,679	48,769
Parent company guarantee fees	2,225	2,382
	52,904	51,151
Interest on other financial liabilities:		
Interest on lease liabilities	1,114	-
Total interest expense	54,018	51,151
Other finance costs:		
Unwinding of discount on provisions	269	175
Unwinding of discount on pension obligation	98,900	93,800
Total finance costs	153,187	145,126

11 Other gains and losses

	2019 £ 000	2018 £ 000
Amounts written off current loans	(2,242)	-
Exceptional loss on transfer of assets in respect of Retail Section	-	(323,600)
Exceptional gain on transfer of liability in respect of Retail Section	-	380,400
	(2,242)	56,800

Amounts written off current loans represents a loan amount written off which was due from Harryburn Windfarm Limited. The RWE Renewables UK Swindon Limited (formerly Innogy Renewables UK Limited) board signed a loan waiver during August 2020 to agree to write off this loan.

During 2018 in preparation for the anticipated merger between Npower and SSE, the pension scheme went through a sectionalisation process. The Innogy group was split into new independent sections on 31 March 2018. As a result of the sectionalisation the assets and liabilities of the Retail section were transferred from the financial statements of the company to those of Npower Limited on 1 April 2018, and £56,800k was credited to the profit and loss account, being the value of the Retail section deficit within the overall Innogy Group pension balance at the point of sectionalisation.

12 Tax on profit/(loss)

	2019 £ 000	2018 £ 000
Current tax		
Group relief payable	12,276	5,823
Adjustments in respect of prior periods	2,036	17,426
Total UK current tax	14,312	23,249
Deferred tax		
Origination and reversal of temporary differences	1,661	6,496
Adjustment in respect of prior periods	892	5
	2,553	6,501
Total tax charge	16,865	29,750

12 Tax on profit/(loss) (Continued)

The tax charge for the year is lower than the standard rate of corporation tax in the UK (2018: lower than the standard rate of corporation tax in the UK) of 19.00% (2018: 19.00%).

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

	2019 £ 000	2018 £ 000
Profit before taxation	150,999	653,526
Expected tax charge based on a corporation tax rate of 19.00% (2018: 19.00%)	28,690	124,170
Effect of expenses not deductible in determining taxable profit	771	9,578
Income not taxable	(15,333)	(120,705)
Permanent capital allowances in excess of depreciation	33	40
Adjustment in respect of prior years	2,899	17,431
Effect of change in UK corporation tax rate	(195)	(764)
Taxation charge for the year	16,865	29,750

Income not taxable includes £15,231k (2018: £17,005k) in respect of income from shares in group undertakings and £nil (2018: £103,699k) in respect of profit on disposal of investments. Income not deductible includes £nil (2018: £9,176k) in respect of impairment of shares in investments.

Factors that may affect future tax charges:

A change to the UK corporation tax rate was substantively enacted as part of Finance Bill 2016 (on 6 September 2016) to reduce the main rate from 19.00% to 17.00% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

On 11 March 2020 the UK Government announced that the previously enacted corporate tax rate reduction from 19.00% to 17.00% on 1 April 2020 would not go ahead. This change was not substantively enacted at the balance sheet date and therefore the deferred tax liabilities have continued to be measured at 17.00%. The effect of this change would be to increase the overall net deferred tax liability at 31 December 2019 by £1,947k.

12 Tax on profit/(loss) (Continued)

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

	2019	2018
	£ 000	£ 000
Current tax arising on:		
Actuarial differences recognised as other comprehensive (expense)/income	(34)	(5,169)
Deferred tax arising on:		
Actuarial differences recognised as other comprehensive (expense)/income	(4,970)	21,151
	(5,004)	15,982
Tax relating to items that may be reclassified to profit or loss:		
Relating to cash flow hedges	73	(234)
Total tax recognised in other comprehensive (expense)/income	(4,931)	15,748

13 Intangible assets

	Internally generated software development costs	Trademarks, patents & licences	Wind farm development costs	Total
	£ 000	£ 000	£ 000	£ 000
Cost				
At 31 December 2018	6,252	4,923	19,064	30,239
At 31 December 2019	6,252	4,923	19,064	30,239
Accumulated amortisation				
At 31 December 2018	6,252	3,444	19,064	28,760
Charge for the year	-	249	-	249
At 31 December 2019	6,252	3,693	19,064	29,009
Carrying amount				
At 31 December 2019	-	1,230	-	1,230
At 31 December 2018	-	1,479	-	1,479

14 Property, plant and equipment

	Leasehold land and buildings	Computers, vehicles and equipment	Wind farms	Hydro assets	Total
	£ 000	£ 000	£ 000	£ 000	£ 000
Cost					
At 31 December 2018	-	4,779	490,934	120,493	616,206
Right-of-use assets on adoption of IFRS 16	-	-	14,319	1,886	16,205
At 1 January 2019	-	4,779	505,253	122,379	632,411
Additions	5,221	-	107,653	4,484	117,358
At 31 December 2019	5,221	4,779	612,906	126,863	749,769
Accumulated depreciation and impairment					
At 31 December 2018	-	4,652	71,159	30,301	106,112
Charge for the year	304	126	22,491	3,427	26,348
At 31 December 2019	304	4,778	93,650	33,728	132,460
Carrying amount					
At 31 December 2019	4,917	1	519,256	93,135	617,309
At 31 December 2018	-	127	419,775	90,192	510,094

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

Right-of-use assets	2019	2018
	£ 000	£ 000
Net values		
Leasehold land and buildings	4,917	-
Wind farms	27,635	-
Hydro assets	1,806	-
	34,358	-
Depreciation charge for the year		
Leasehold land and buildings	304	-
Wind farms	1,365	-
Hydro assets	81	-
	1,750	-

Additions to the right-of-use assets during the 2019 financial year were £14,681k relating to Wind farms and £5,221k relating to Leasehold land and buildings.

15 Investments

	Current		Non-current	
	2019	2018	2019	2018
	£ 000	£ 000	£ 000	£ 000
Investments in subsidiaries	-	-	221,719	221,719
Investments in joint ventures	-	-	920,300	921,550
Other investments	-	-	22	22
	-	-	1,142,041	1,143,291

Movements in non-current investments

	Shares in group undertakings and participating interests	Other investments other than loans	Total
	£ 000	£ 000	£ 000
Cost or valuation			
At 1 January 2019	1,143,269	22	1,143,291
Return of capital	(1,250)	-	(1,250)
At 31 December 2019	1,142,019	22	1,142,041
Carrying amount			
At 31 December 2019	1,142,019	22	1,142,041
At 31 December 2018	1,143,269	22	1,143,291

The return of capital relates to a capital reduction undertaken by Galloper Wind Farm Limited during the year which resulted in the sum of £1,250k being paid out to RWE Renewables UK Swindon Limited (formerly Innogy Renewables UK Limited) which is based on the company's proportion of shareholding in Galloper Wind Farm Limited.

16 Subsidiaries

Details of the company's subsidiaries at 31 December 2019 are as follows:

Name of undertaking	Registered office	Principal activities	% Held Direct	Voting
Little Cheyne Court Wind Farm Limited	England & Wales	Windfarm operations	59.00	59.00
The Hollies Wind Farm Limited	England & Wales	Windfarm operations	100.00	100.00
Knabs Ridge Wind Farm Limited	England & Wales	Winfdarm operations	100.00	100.00
Bilbster Wind Farm Limited	England & Wales	Winfdarm operations	100.00	100.00
Rhyl Flats Wind Farm Limited	England & Wales	Winfdarm operations	50.10	50.10
RWE Renewables GyM 2 Limited (formerly Innogy GyM 2 Limited)	England & Wales	Windfarm operations	100.00	100.00
RWE Renewables GyM 3 Limited (formerly Innogy GyM 3 Limited)	England & Wales	Windfarm operations	100.00	100.00
RWE Renewables GyM 4 Limited (formerly Innogy GyM 4 Limited)	England & Wales	Windfarm operations	100.00	100.00
ML Wind LLP	England & Wales	Windfarm operations	51.00	51.00
Carnedd Wen Wind Farm Limited	England & Wales	Windfarm development	100.00	100.00
Harryburn Wind Farm Limited	England & Wales	Windfarm development	100.00	100.00
Sofia Offshore Wind Farm Holdings Limited	England & Wales	Windfarm development	100.00	100.00
Triton Knoll Holdco Limited	England & Wales	Windfarm development	59.00	59.00
Parc Ynni Cymunedol Alwen Cyfyngedig	England & Wales	Windfarm development	100.00	100.00
Burgar Hill Windfarm Limited	England & Wales	Dormant company	100.00	100.00
Clocaenog Wind Farm Limited	England & Wales	Dormant company	100.00	100.00
Goole Fields II Wind Farm Limited	England & Wales	Dormant company	100.00	100.00
Kiln Pit Hill Wind Farm Limited	England & Wales	Dormant company	100.00	100.00
Lochelbank Wind Farm Limited	England & Wales	Dormant company	100.00	100.00
Novar Two Windfarm Limited	England & Wales	Dormant company	100.00	100.00
Rowantree Wind Farm Limited	England & Wales	Dormant company	100.00	100.00
Sofia Offshore Wind Farm Limited	England & Wales	Windfarm development	100.00	100.00
Triton Knoll Offshore Wind Farm Limited	England & Wales	Windfarm development	59.00	59.00
Glen Kyllachy Wind Farm Limited	England & Wales	Windfarm development	100.00	100.00
Awel y Mor Offshore Wind Farm Limited	England & Wales	Windfarm development	100.00	100.00
Five Estuaries Offshore Wind Farm Limited	England & Wales	Windfarm development	100.00	100.00

17 Joint ventures

Details of the company's joint ventures associates and the proportion of ordinary share capital held at 31 December 2019 are as follows:

Name of undertaking	Registered office	Principal activities	% Held Direct	% Held Voting
Greater Gabbard Offshore Winds Limited	England & Wales	Windfarm operations	50.00	50.00
Galloper Wind Farm Holding Company Limited	England & Wales	Windfarm operations	25.00	25.00
Gwynt y Môr Offshore Wind Farm Limited	England & Wales	Windfarm operations	50.00	50.00
Galloper Wind Farm Limited	England & Wales	Windfarm operations	25.00	25.00

18 Trade and other receivables

	2019 £ 000	2018 £ 000
Trade receivables	5,157	4,248
VAT recoverable	916	1,261
Amounts owed by fellow group undertakings	1,677,337	1,642,051
Other receivables	7,163	3,323
Prepayments and accrued income	15,294	11,253
	1,705,867	1,662,136

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.

Amounts owed by fellow group undertakings includes loans to group undertakings of £1,392,378 (2018: £1,351,018) and are unsecured and repayable within one year. Interest is charged on the loans at 4.624% effective 1 February 2019 (2018: 4.624%). The purpose of the loans is to fund the development and construction of wind farms. Other amounts owed by group undertakings are unsecured, interest free and repayable on demand.

19 Property, plant and equipment held for sale

	2019 £ 000	2018 £ 000
Property, plant and equipment	-	681

The balance in the prior year related to the Stanley Mills Hydro plant asset which was subsequently sold in March 2019.

20 Borrowings

	2019	2018
	£ 000	£ 000
Unsecured borrowings at amortised cost		
Loans from parent undertaking	1,251,076	1,247,733
Loans from subsidiary undertakings	24,014	21,401
	1,275,090	1,269,134

Analysis of borrowings

	2019	2018
	£ 000	£ 000
Current liabilities	224,306	136,550
Non-current liabilities	1,050,784	1,132,584
	1,275,090	1,269,134

Included in borrowings are three loans owed to group undertakings with a maturity date and fixed interest rate as follows:

£81,800k maturing on 18 December 2020 with interest charged at 2.90%.
£200,000k maturing on 28 September 2022 with interest charged at 4.00%.
£832,700k maturing on 20 September 2027 with interest charged at 4.97%.

Interest on the loans from subsidiary undertakings is charged at the overnight LIBOR rate less 10 basis points for the current loans, and a fixed rate of 1.09% for the non-current loans from subsidiary undertakings.

21 Trade and other payables

	2019	2018
	£ 000	£ 000
Trade payables	1,161	2,912
Amounts owed to fellow group undertakings	66,336	69,030
Accruals and deferred income	104,020	83,424
	171,517	155,366

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

22 Lease liabilities

Maturity analysis	**2019 £ 000**	**2018 £ 000**
Within one year	2,918	-
In two to five years	8,807	-
In over five years	37,745	-
Total undiscounted liabilities	49,470	-
Future finance charges and other adjustments	(14,557)	-
Lease liabilities in the financial statements	34,913	-

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:

	2019 £ 000	**2018 £ 000**
Current liabilities	1,825	-
Non-current liabilities	33,088	-
	34,913	-

Amounts recognised in profit or loss include the following:	**2019 £ 000**	**2018 £ 000**
Interest on lease liabilities	1,114	-

The fair value of the company's lease obligations is approximately equal to their carrying amount.

23 Deferred taxation

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

	Accelerated capital allowances	Retirement benefit obligations	Fair value movements on financial instruments	Other items	Total
	£ 000	**£ 000**	**£ 000**	**£ 000**	**£ 000**
Deferred tax asset at 1 January 2018	(4,009)	(5,066)	60	491	(8,524)
Deferred tax movements in prior year					
Charge/(Credit) to profit or loss	(1,934)	7,521	-	914	6,501
Charge/(Credit) to other comprehensive income	-	21,780	(234)	(629)	20,917
Deferred tax liability at 1 January 2019	(5,943)	24,235	(174)	776	18,894
Deferred tax movements in current year					
Charge to profit or loss	2,010	339	-	204	2,553
Charge/(Credit) other comprehensive income	-	(5,046)	73	76	(4,897)
Deferred tax liability at 31 December 2019	(3,933)	19,528	(101)	1,056	16,550

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 2019.

24 Provisions for liabilities

	2019	**2018**
	£ 000	**£ 000**
Decommission provision	34,520	14,051
Other provisions	278	278
Restructuring	722	-
Employee benefits	16,000	15,200
	51,520	29,529

Movements on provisions:	**Decommission provision**	**Other provisions**	**Restructuring**	**Employee benefits**	**Total**
	£ 000	**£ 000**	**£ 000**	**£ 000**	**£ 000**
At 1 January 2019	14,051	278	-	15,200	29,529
Additional provisions in the year	20,083	-	722	400	21,205
Utilisation of provision	-	-	-	(573)	(573)
Unwinding of discount	269	-	-	-	269
Adjustment for change in discount rate	117	-	-	1,300	1,417
Transfers and other changes	-	-	-	(327)	(327)
At 31 December 2019	34,520	278	722	16,000	51,520

The provision for the decommissioning of the wind farms represents the net present value of the Group's best estimate of the costs to decommission the wind farms at the end of their useful life. The provisions were re-estimated at the end of the year to reflect current management expectations of the future liability. The closing provision has been discounted to its present value for each wind farm separately, based on the yield on a UK gilt maturing at the end of each wind farm's economic life (20-23 years).

Other provisions relate to business rates relief that has been over claimed in previous periods.

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

The employee benefits provision represents the liability of the Supplementary Pension Plan at 31 December 2019.

25 Retirement benefit schemes

During both 2019 and 2018, the majority of pensions were funded through the defined benefit scheme within the Innogy Group of the industry-wide scheme, the Electricity Supply Pension Scheme (ESPS). It is a defined benefit scheme with assets invested in separate trustee-administered funds. The ESPS is divided into sections. In addition to the defined benefit scheme, there was also a defined contribution scheme within the Innogy Group of the Electricity Supply Pension Scheme; the Defined Contribution Section of the Innogy Group of the ESPS.

RWE Renewables UK Swindon Limited (formerly Innogy Renewables UK Limited) remained the sponsoring entity for the Innogy Group of the ESPS during 2019. On 1 January 2018 the Group’s name was changed to the Innogy Group of the Electricity Supply Pension Scheme, its previous name was the RWE Npower (No 3) Group of the Electricity Supply Pension Scheme.

During 2009, the decision was taken to close the defined benefit scheme described above to new entrants. New employees are now only able to participate in a defined contribution scheme.

Pension scheme restructuring
In the United Kingdom, corporate defined benefit plans are required to comply with the statutory funding objective to have adequate and suitable assets to cover the pension obligations. They are administered by a group of trustees, separate from the sponsoring employers, who are responsible for management of the plan including investments, pension payments and financing plans.

The company's principal pension defined benefit plan in the United Kingdom is provided through the sector-wide Electricity Supply Pension Scheme (ESPS), in which the company participates in a dedicated section (the Innogy Group - the “Innogy Section”).

The Innogy Section is ring-fenced from other sections within the ESPS, and is funded by the company and other employers in the Innogy Group.

In preparation for the anticipated merger between Npower and SSE, the pension scheme went through a sectionalisation process. The Innogy Group was split into new independent sections on 31 March 2018. As of this date, the Innogy (Residual) Section comprised all deferred members and pensioners and actives employed within the Renewables business. The Retail section comprised all actives employed within the Retail business and Innogy Business Services UK Limited.

As a result of the sectionalisation the assets and liabilities of the Retail section were transferred from the financial statements of RWE Renewables UK Swindon Limited (formerly Innogy Renewables UK Limited) to those of Npower Limited on 1 April 2018. The sponsoring entity for both sections is RWE Renewables UK Swindon Limited (formerly Innogy Renewables UK Limited).

The Innogy Group was accounted for as a defined benefit multi-group scheme under IAS 19R (Employee Benefits) by the company and as a defined contribution scheme by all other participating employers in the Innogy Group until 31 March 2018. From 1 April 2018, the Innogy (Residual) section is accounted for as a defined benefit multi-group scheme under IAS 19R (Employee Benefits) by the company and the Retail section is accounted for as a defined benefit multi-group scheme under IAS 19R (Employee Benefits) by Npower Limited. All other participating employers in both sections if applicable account for the scheme as a defined contribution scheme.

25 Retirement benefit schemes **(Continued)**

As part of the transaction agreed between RWE and E.ON, which was announced in March 2018, the assets and liabilities relating to members of the Retail section who were non-active as at 18 September 2019 were reallocated to the Innogy (Residual) section with effect from 30 September 2019.

The liabilities as at 31 March 2019 relating to the members who were reallocated on 30 September 2019 represented around 22% of the total funding liabilities as at 31 March 2019. The actuary has used appropriate actuarial roll-forward techniques to adjust the 31 March 2019 funding liabilities valuation to derive the accounting position and has estimated that the impact has been to increase the IAS 19 liability by £92.4m as at 30 September 2019.

Around 21% of the total assets of the Retail section as at 30 September 2019 were reallocated to the Innogy (Residual) section, thereby increasing the total assets of the Innogy (Residual) section by £79.2m.

Defined contribution schemes

The defined contribution scheme; the Defined Contribution Section of the Innogy Group of the ESPS, was impacted by the sectionalisation process in exactly the same way as the defined benefit scheme, as described above.

The total costs charged to income in respect of defined contribution plans is £1,371k (2018: £1,014k).

Defined benefit scheme

Description of scheme

Throughout both 2019 and 2018, the company, along with other employers in the Group, participated in the defined benefit pension scheme within the Innogy Group of the Electricity Supply Pension Scheme. However, because the Group was sectionalised on 31 March 2018, after that time the company participated in the Innogy section, along with other employers in that section, still as part of the overall Group. During 2019, the Non Fossil Purchasing Agency left the section and hence Group, at which point the company became the sole employer in that section.

The scheme was accounted for as a defined benefit multi-group scheme by RWE Renewables UK Swindon Limited (formerly Innogy Renewables UK Limited) for both 2018 and 2019.

Regulatory framework

The Innogy Group of the Electricity Supply Pension Scheme, 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 6 trustees (2018: 9 trustees) 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.

25 Retirement benefit schemes (Continued)

Risks
The Trustees of the Scheme 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 Scheme'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 Scheme currently hedges around 88% (2018: 79%) of its interest rates exposure.

Note that the Scheme 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.

Inflation risk

Description
An increase in inflation results in higher benefit increases for scheme members which in turn increases liabilities.

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

Approximately 91% (2018: 85%) of the Scheme funding liabilities are hedged against inflation.

25 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 scheme. 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.

As a result of the sectionalisation of the Innogy Group on 31 March 2018, the Trustees prepared an interim schedule of contributions for both new sections. In respect of the Innogy section, RWE Renewables UK Swindon Limited (formerly Innogy Renewables UK Limited) makes all deficit repair payments into the scheme and then recharges the other participating employers within the scheme. At that point in time the only other employer within the section was the Non Fossil Purchasing Agency Limited. A total of £398.2m was scheduled to be paid by RWE Renewables UK Swindon Limited (formerly Innogy Renewables UK Limited) initially into the scheme. Annual payments of £36.2m were scheduled to commence in 2019 through to 2029. The scheduled payments of £36.2m due both in March 2019 and March 2029 were brought forward and paid, totalling £72.4m, without discounting, by RWE Renewables UK Swindon Limited (formerly Innogy Renewables UK Limited) in December 2018, of which £0.1m was subsequently recharged to NFPA Limited. There were no deficit repair payments in 2019.

The most recent cash funding valuation was carried out as at 31 March 2019. At that date the deficit of the Innogy section was £103.4m, giving a funding level of 98%. The next valuation is expected to be 31 March 2021. 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 2019 funding valuation to derive the accounting position as at 31 December 2019. As at 31 December 2019, there was a surplus on an accounting basis of £142.0m (2018: £183.4m).

As a result of the valuation of the Innogy section on 31 March 2019, the Trustees prepared a new schedule of contributions. RWE Renewables UK Swindon Limited (formerly Innogy Renewables UK Limited) makes all deficit repair payments into the scheme. As the Non Fossil Purchasing Agency left the scheme during 2019, there are now no other employers within the section, so no recharges are made. A total of £107.7m was scheduled to be paid by RWE Renewables UK Swindon Limited (formerly Innogy Renewables UK Limited) into the scheme. Annual payments were scheduled to commence in 2020 (£37.5m) and be paid through to 2023 (£17.0m).

During the year ended 31 December 2019, RWE Renewables UK Swindon Limited (formerly Innogy Renewables UK Limited) contributed to the four defined benefit sections of the ESPS at a weighted average rate of 24% (2018: 24%) of members' pensionable earnings. Administration expenses for the scheme became payable as a lump sum rather than as a percentage of pensionable salaries in 2015. The interim schedule of contributions described above included a scheduled payment of £3,300k due in March 2019, which was brought forward and paid without discounting by RWE Renewables UK Swindon Limited (formerly Innogy Renewables UK Limited) in December 2018, none of which was subsequently recharged to other articipating employers. There were no administration expenses payments in 2019.

The administration expenses payments scheduled within the new schedule of contributions totalled £13.1m. Annual payments were scheduled to commence in 2020 (£2.5m) and be paid through to 2024 (£2.8m). Contributions payable to the pension scheme at the end of the year are £nil (2018: £nil).

The Group's Rules provide the company with an unconditional right to a refund of surplus assets assuming the full settlement of scheme liabilities in the event of a scheme 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 schemes. 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.

25 Retirement benefit schemes **(Continued)**

Maturity and liability profile

Average annual estimated undiscounted benefit payments*

Time period	Actives	Deferreds	Pensioners & dependants	Total
	£ m	£ m	£ m	£ m
2020 to 2029	1.5	12.2	137.8	151.5
2030 to 2039	3.5	24.0	140.2	167.7
2040 to 2049	4.7	34.2	93.8	132.7
2050 to 2059	4.2	31.3	33.8	69.3
2060 to 2069	2.5	19.0	5.6	27.1
2070 to 2079	0.8	6.2	0.3	7.3
2080 to 2089	0.1	0.8	-	0.9

(*) Estimated undiscounted benefit payments expected to be paid from the Residual Innogy Section over its life, derived from data as at 31 March 2019.

The weighted average duration of the defined benefit obligation is 16 years (2018: 16 years).

Principal actuarial assumptions

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

	2019	2018
	%	%
Discount rate	2.0	2.8
Rate of RPI Inflation	3.0	3.3
Rate of CPI inflation	2.1	2.2
Rate of salary increases	3.0	3.3
Rate of increase in pensions in payment		
- Main, 60th and Executive sections	2.8	3.1
- 2005 section	1.9	2.2
Rate of increase in pensions in deferment		
- Main section	3.0	3.3
- 60th, 2005 and Executive sections	2.1	2.2

25 Retirement benefit schemes **(Continued)**

Mortality assumptions	**2019 Years**	**2018 Years**
Life expectancy of a male aged 65 (role and salary dependent)		
- Current	20.0 - 23.1	20.2 - 22.8
- Future	21.9 - 24.7	22.5 - 24.9
Life expectancy of a female aged 65		
- Current	23.4	24.0
- Future	25.3	26.1

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 2019, mortality rates for the UK plans are 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 2018 CMI projections (Sk=7.5, A=0) with a long-term rate of improvement of 1.5% p.a. for males and females. Illustrative life expectancies are set out in the table above.

Amounts recognised in the income statement	**2019 £ 000**	**2018 £ 000**
Current service cost	3,300	5,146
Past service cost	600	14,700
Administrative expenses paid	3,000	2,200
Net interest on defined benefit asset	(5,300)	(3,000)
Total costs	1,600	19,046

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

	2019 £ 000	**2018 £ 000**
Fair value of plan assets	4,087,300	3,777,700
Present value of defined benefit obligations	(3,945,300)	(3,594,300)
Surplus in scheme	142,000	183,400

Over the year to 31 December 2019, the balance sheet position of the Innogy section deteriorated from a surplus of £183.4m to a surplus of £142.0m. This deterioration is primarily as a result of actuarial losses from a lower discount rate being greater than actuarial gains from higher than expected returns on assets.

25 Retirement benefit schemes **(Continued)**

Movements in the present value of defined benefit obligations	**2019 £ 000**	**2018 £ 000**
At 1 January	3,594,300	4,260,400
Liability in respect of retail section transferred to Npower Limited - 31 March 2018	-	(380,400)
Experience (gains) on Residual section liabilities	-	(50,500)
Current service cost	3,300	8,200
Past service cost - severance	2,000	400
Past service cost - GMP equalisation	-	14,300
Benefits paid	(155,400)	(177,900)
Contributions from scheme members	900	1,900
Actuarial losses / (gains) arising from changes in financial assumptions	362,000	(154,900)
Actuarial (gains) arising from changes in demographic assumptions	(30,200)	(35,100)
Experience (gains) / losses on scheme liabilities	(22,200)	14,400
Interest cost	98,500	93,500
Net transfers out	(300)	-
Project Tailwind reallocation	92,400	-
At 31 December	3,945,300	3,594,300

The past service cost in 2019 (£2.0m) relates to Early Retirement Deficiency Contributions made by both the Non Fossil Purchasing Agency (£1.4m) and the company (£0.6m). These contributions are to fund the shortfall between an individual’s pension liability based on drawing their pension at Normal Retirement Age and the liability based on drawing their pension before Normal Retirement Age in line with the enhanced terms of a severance programme.

The majority of the past service cost in 2018 (£14.3m) relates to GMP equalisation. The High Court ruled in the Lloyds Bank case on Friday 26 October 2018 that pension schemes must equalise GMPs. Guaranteed Minimum Pension (GMP) was earned until April 1997 in schemes that were “contracted out” of the SERPS state pension. In return for providing a company pension with a minimum level of benefits (i.e. the GMP), the sponsoring employer and the employee both paid reduced National Insurance contributions and the employee built up a smaller state pension.

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.

The law required that GMP pensions were payable from age 60 for women and age 65 for men (reflecting the different State Pension Ages which prevailed at that time). On 17 May 1990, the judgement in the ‘Barber’ court case ruled that pension benefits provided by employers had to be equalised between men and women going forward. Pension schemes therefore changed their rules as necessary so that men and women earned pension that was payable from the same Normal Retirement Age. However, the GMP element of the overall pension continued to be payable from different ages in accordance with the Government’s prescribed approach to calculating GMP.

The Lloyds Bank judgement means that schemes and their sponsoring employers now need to equalise GMPs between men and women. The judgement applies to GMP earned between 17 May 1990 and 5 April 1997 (when all GMP ceased accrual).

25 Retirement benefit schemes **(Continued)**

Movements in the fair value of plan assets:	**2019 £ 000**	**2018 £ 000**
At 1 January	3,777,700	4,230,600
Fair value of assets in respect of retail section transferred to Npower Limited - 31 March 2018	-	(323,600)
Interest income	103,800	96,500
Return on plan assets (excluding amounts included in interest income)	278,200	(154,800)
Administrative expenses paid	(3,000)	(2,200)
Benefits paid	(155,400)	(177,900)
Contributions by the employer	6,200	82,200
Contributions by scheme members	900	1,900
Actuarial gains due to change in allocation	-	25,000
Net transfers out	(300)	-
Project Tailwind reallocation	79,200	-
At 31 December	4,087,300	3,777,700

The actual return on plan assets was £382,000,000 (2018: £(58,300,000)).

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

The fair value of plan assets at the reporting period end was as follows:

	2019 £ 000	**2018 £ 000**
Equities	270,000	315,700
Government bonds	2,072,600	1,869,400
Corporate bonds	850,100	750,000
Hedge funds	556,700	621,200
Other	337,900	221,400
	4,087,300	3,777,700

25 Retirement benefit schemes **(Continued)**

Sensitivity analysis

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

		2019	2018
		£ 000	£ 000
Adjustment to discount rate of 1%	- increase	(536,000)	(488,000)
	- decrease	684,000	624,000
Adjustment to rate of salary growth of 1%	- increase	14,000	11,000
	- decrease	(11,000)	(8,000)
Adjustment to mortality age rating assumption of 1 year	- increase	112,000	102,000
	- decrease	n/a	n/a
Adjustment to pension increases of 1%	- increase	540,000	457,000
	- decrease	(414,000)	(367,000)

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 balance sheet.

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

26 Share capital

	2019	2018
	£ 000	£ 000
Ordinary share capital		
Issued and fully paid		
75,369,392 called up shares of £1 each	75,369	75,369

27 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 an Npower Supplementary Plan 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 2019 and 31 December 2018 the gilts were still legally held by RWE Generation UK plc. It was anticipated that the gilts would be legally transferred to the company in early 2018, however because of the potential implications arising from the transaction between RWE and E.ON, RWE Generation UK plc has taken the decision not to proceed with the transfer of the gilts to the company at this current time. Accordingly they will monitor the implications arising as the overarching transaction progresses before any final decision is made as to whether to transfer the gilts to the company.

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.

A provision of £16,000k exists at 31 December 2019 (2018: £15,200k) to cover the ongoing costs of the scheme. 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 number of pensioners belonging to each element of the provision is as follows: NSP: 2 (2018: 2), other former directors: 5 (2018: 5) and non-directors: 4 (2018: 4).

Commencing in 2017, monthly payments equating to the value paid to the pensioners each month have been made into the main scheme bank account by the company, as individuals receive one payment a month comprising both their main scheme and supplementary entitlement out of the main scheme bank account. As these monthly payments are made they are utilised against the provision.

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.

27 Post-employment benefits (Continued)

Scheme liability

Movements in the present value of defined benefit obligations	2019 £ 000	2018 £ 000
At 1 January	15,200	15,500
Past service cost	-	800
Amounts recognised in SOCI	973	(851)
Benefits paid	(573)	(549)
Net interest cost	400	300
At 31 December	16,000	15,200

Over the year to 31 December 2019, the balance sheet position of the plans deterioriated from a deficit of £15.2m to a deficit of £16.0m, primarily as a result of a lower discount rate.

The weighted average duration of the defined benefit obligation is 15 years (2018: 15 years).

Principal actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the balance sheet date are as set out in note 25.

Variations to these assumptions are as follows:

Discount rate 1.9% (2018: 2.7%)
There was no increase in the rate of pensions in payment (2018: 3.0%)

As at 31 December 2019, 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 2018 CMI projections (Sk=7.5, A=0) with a long-term rate of improvement of 1.5% p.a. for males and females.

27 Post-employment benefits (Continued)

Sensitivity analysis

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

		2019 £ 000	2018 £ 000
Adjustment to discount rate of 1%	- increase	(2,200)	(2,100)
	- decrease	2,700	2,600
Adjustment to mortality age rating assumption of 1 year	- increase	600	600
	- decrease	n/a	n/a
Adjustment to pension increases of 1%	- increase	2,600	2,500
	- decrease	(2,100)	(2,000)

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

28 Share-based payment transactions

There were four share based payment schemes in operation during the year ended 31 December 2019. These consisted of two equity settled schemes, SAYE sharesave, where the employee received options in the share capital of RWE AG up to 2015 and innogy SE from 2018; the long-term incentive plan ‘BEAT’ scheme which is cash settled; and the Strategic Performance Plan (SPP) scheme, which replaced the ‘BEAT’ scheme from 2016, which is also cash settled.

BEAT (cash settled)
Certain employees of the company have been granted a long-term incentive which automatically pays-out if, following a waiting period of four years, an out-performance of at least 25% compared to the DowJones STOXX Utilities Index peer group has been achieved, measured in terms of their index weighting as at the inception of the programme. Measurement of out-performance is carried out using Total Shareholder Return (TSR), which takes into account both the development of the share price and reinvested dividends.

The pay-out conditions were not achieved in either 2018 or 2019 and therefore all options lapsed.

The fair value of the provision within the financial statements at 31 December 2019 is £nil (2018: £14k) with a current year P&L credit of £14k (2018: P&L credit of £47k) being recognised due to the pay-out conditions not being achieved.

28 Share-based payment transactions (Continued)

SPP (cash settled)
For the tranches 2017 to 2019, the determination of the number of conditionally granted Performance Shares is conducted at the beginning of the respective Grant Year. For the conversion to conditionally granted Performance Shares, the Target Amount is divided by the arithmetic mean, commercially rounded to two decimal places, of the Closing Prices of innogy over the last 30 Trading Days prior to January 1 of the respective Grant Year. For the tranche 2016, the arithmetic mean over the first ten Trading Days following the Date of the IPO (October 7 to October 20) is used.

The key performance criterion used to determine the final number of Performance Shares is the Adjusted Net Income ("ANI") of innogy SE. ANI is calculated by subtracting / adding the following positions from / to Net Income:

a. Non-operating result (minus taxes on the non-operating result)
b. Effect from re-evaluations of bonds of Finance B.V.
c. Income from securities sales

There is a linear interpolation approach to the ANI target value, set by the innogy SE Executive Board, meaning that between 50% and 150% of the granted performance shares can be finally allocated depending on the performance against the ANI Target Value. The determined number is commercially rounded up to complete shares.

Below ANI threshold	**ANI threshold**	**ANI target value**	**ANI maximum**
< 65% Target value	65% target value	100% target value	135% target value
All shares lapse	50% granted performance shares are finally allocated	100% granted performance shares are finally allocated	150% granted performance shares are finally allocated

During the year a Change of Control event occurred which means that all Performance Shares which have been finally allocated and have not yet been paid out, are paid out prematurely. All Performance Shares which have not been finally allocated at the time of the Change of Control will lapse without replacement and compensation.

Pay-out amount = (number of finally allocated Performance Shares) x (arithmetic mean of Closing Prices + paid dividends)

Arithmetic mean = The Closing Prices of innogy SE over the last 30 Trading Days preceding the announcement of the Change of Control, commercially rounded to two decimal places

Dividends paid = dividends paid per share in the fiscal years between the final allocation of Performance Shares and the end of the announcement of the Change of Control.

28 Share-based payment transactions **(Continued)**

The pay-out amount shall be limited to twice the Target Amount and is paid in GBP by converting based on the average fixing rates of the European Central Bank over the last 30 Trading Days prior to the end of the Vesting Period.

The fair value of the provision within the financial statements at 31 December 2019 is £nil (2018: £973k). The total scheme cost was £932k which is lower than the opening provision creating a current year P&L credit of £41k (2018: P&L expense of £773k).

Sharesave schemes (equity settled)
In 2018, the company started a new Share Incentive Plan, whereby eligible employees were able to choose to invest between £10 and £150 a month to buy innogy SE shares at market price on a monthly basis. The scheme was structured such that employees were entitled to one free share for every three purchased. It was the purchase of the free shares by the company at the point of entitlement that was the cost of the scheme to the company. The first monthly share purchases were in February 2018. However, due to the impending RWE / E.ON transaction, the scheme was suspended after the purchases in July 2018. The cost of the scheme for the year was £nil (2018: £24k).

In the year under review, the number of outstanding options from the RWE AG Sharesave Scheme, which last commenced in 2015, developed as follows:

	Number of share options	
	2019	**2018**
Outstanding at 1 January	9,139	59,268
Exercised in the period	(8,190)	(30,057)
Expired in the period	(949)	(20,072)
Outstanding at 31 December	-	9,139
Exercisable at 31 December	-	9,139

The average weighted share price as of the exercise date amounted to €21.49 for the options from the Sharesave Scheme exercised in the fiscal year.

The fair value of the liability as at 31 December 2019 is £nil (2018: £55k). The total fair value liability of the remaining shares exercised during the year was £45k which is lower than the opening liability creating a current year P&L credit of £10k (2018: P&L expense of £2k).

29 Capital commitments

	2019	2018
	£ 000	£ 000
At 31 December the company had capital commitments as follows:		
Contracted for but not provided in the financial statements:		
Acquisition of property, plant and equipment	72,399	83,249

30 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 as follows:

	2019	2018
	£ 000	£ 000
Expense relating to short-term leases	8	-
Expense relating to variable lease payments not included in lease liabilities	6,233	-

The expenses above are included in the cost of sales. In 2018, before the adoption of IFRS 16, all non-cancellable operating lease expenses amounted to £5,154,000 and are included in the cost of sales. Leases include leases of land on which the RWE Renewables UK Swindon Limited (formerly Innogy Renewables UK Limited) wind farm is situated. These lease contracts include a fixed element which is subject to annual indexation, and a variable element, which is calculated based on the volume of generated electricity. The latter is excluded from the lease liability and expensed in the period to which it relates.

Information relating to lease liabilities is included in note 22.

31 Related party transactions

During the year the company entered into the following transactions with related parties:

	Sale of goods		Purchase of goods	
	2019	2018	2019	2018
	£ 000	£ 000	£ 000	£ 000
Subsidiaries	27,254	12,886	60,851	67,998
Joint ventures in which the entity is a venturer	22,357	13,091	162,384	167,243
Other related parties	309	357	4,436	5,193
	49,920	26,334	227,671	240,434

The following amounts were outstanding at the reporting end date:

	2019	2018
Amounts due to related parties	£ 000	£ 000
Subsidiaries	18,069	17,947
Joint ventures in which the entity is a venturer	15,683	15,789
	33,752	33,736

31 Related party transactions **(Continued)**

The following amounts were outstanding at the reporting end date:

Amounts due from related parties	**2019 £ 000**	**2018 £ 000**
Subsidiaries	9,511	9,309
Other related parties	1,974	2,038
	11,485	11,347

Loans to related parties
During the year the company received interest on loans to joint ventures of £nil (2018: £3,718,000).

32 Controlling party

The company's immediate parent is RWE Renewables UK Holdings Limited (formerly Innogy Renewables UK Holdings Limited).

The ultimate parent is RWE AG. The ultimate parent during the financial year was E.ON SE.

The most senior parent entity producing publicly available financial statements is E.ON SE. These financial statements are available upon request from E.ON SE, Brüsseler Platz 1, 45131, Essen, Germany, the ultimate parent's principal place of business.

The ultimate controlling party is RWE AG. The ultimate controlling party during the financial year was E.ON SE.

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

33 Events after the reporting date

Important non-adjusting events after the reporting period

On 11 March 2020, the World Health Organisation declared a global pandemic in respect of the outbreak of COVID-19. Governments in affected areas have imposed a number of measures designed to contain the outbreak, including business closures, travel and work restrictions, stay at home orders and cancellations of gatherings and events. The spread of COVID-19 has resulted in an economic downturn in the UK and the global economy more widely, as well as causing increased volatility and declines in financial and electricity markets. If the pandemic is prolonged, or further diseases emerge that give rise to similar effects, the adverse impact on the global economy could be deepened and result in further declines in financial and electricity markets.

Restrictions in the UK have been slowly eased whilst the rate of infection has stabilised. To date, the company has not seen a material impact on its operations as a result of COVID-19. Given the contracted and stable nature of the company’s revenue and cost profile, no material impact from COVID-19 is expected on financial performance. The company’s crisis management teams and business continuity plans have responded swiftly and effectively to the outbreak of COVID-19 and continue to monitor the risks to the business.

On 30 June 2020, RWE AG, through its subsidiaries, acquired the renewable energy division of innogy SE, including the entire shareholding of RWE Renewables UK Holdings Limited (formerly Innogy Renewables UK Holdings Limited). After this date, the ultimate parent company was no longer E.ON SE but was 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.

On 1 July 2020, RWE Renewables UK Swindon Limited (formerly Innogy Renewables UK Limited) transferred all of its assets relating to the Hydro segment to RWE Generation UK Plc. The transfer price was agreed at the book value of the Hydro assets.

With effect from 1 September 2020 all employees of RWE Renewables UK Swindon Limited (formerly Innogy Renewables UK Limited) were transferred to RWE Renewables Management UK Limited under the provisions of the Transfer of Undertakings (Protection of Employment) Regulations 2006 (“TUPE”). Prior to the transfer a series of collective consultation meetings were held with the concerned employees and elected employee representatives in order to consult on the TUPE transfer process.