Company registration number 03892782 (England and Wales)

RWE GENERATION UK PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

RWE GENERATION UK PLC

COMPANY INFORMATION

Directors	Mr W Jeffery	
	Mrs S Lange	(Appointed 1 November 2022)
	Mrs S Standen	(Appointed 1 January 2023)
Secretary	Mr J Keene	
Company number	03892782	
Registered office	Windmill Hill Business Park Whitehill Way Swindon Wiltshire United Kingdom SN5 6PB	
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 3, Forbury Place, 23 Forbury Road Reading Berkshire United Kingdom RG1 3JH	

RWE GENERATION UK PLC

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RWE GENERATION UK PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present the strategic report and financial statements for the year ended 31 December 2022 for RWE Generation UK plc ('the Company').

Fair review of the business
The Company has performed well with power generation volumes increasing year-on-year. The Company reports a profit before tax of £2,504m compared to a loss before tax of £1,113m in 2021. Net assets increased to £2,571m (2021: £541m).

The main movement in the year-on-year profit before tax is explained below:

- Movement in mark to market derivatives essentially reversing the mark to market loss made in the prior year.
- Higher earnings from power generation driven by higher generation volumes at the Company's power stations and higher captured spark spreads (power less gas less carbon price).
- Write-backs of £312m at Pembroke, Staythorpe, Little Barford and Great Yarmouth partly offset by impairment of £24m at King's Lynn power station.

The key performance indicators for the Company are profit before tax and net assets. These figures have been presented above.

Power generation volumes at the Company's fleet of gas and hydro power stations increased to 38TWh from 35TWh in the prior year. These numbers exclude works power, which is generated by the power stations for their own use. The uptick in the spark spread was seen mostly from Q2 2022 as a result of the wider geopolitical and macro economic factors, including the war in Ukraine. Coupled with the increase in generation volume, this led to higher income from power generation.

The Company hedges its power generation income using commodity derivatives managed by RWE Supply & Trading GmbH (RWEST). The energy prices, including power and gas increased significantly at the end of 2021 which resulted in the Company recorded market derivative net liability of £1,363m. Most of these trades realised in 2022 which together with declined spark spreads at the end of 2022 resulted in derivative mark to market net asset of £97m. The mark to market represents the difference between the contract price and the year-end market price and can result in either an asset or liability. The volatility seen in the past two years reflects the market volatility caused initially by gas shortages in 2021 and then the war in Ukraine in 2022.

The Company recognised write-backs of £312m for the previously impaired stations at Pembroke, Staythorpe, Little Barford and Great Yarmouth. The write-backs were applied exclusively to property, plant and equipment and are justified primarily by the improvement in earnings expectations. The write-backs are partly offset by an impairment of £24m at King's Lynn power station. The impairment of King's Lynn essentially stemmed from a shorter than expected useful lifespan of the power plant, as a result of the UK government's efforts to decarbonise the energy sector by 2035. Both write-back and impairment effects are recognised in exceptional items in the income statement.

On 31 January 2022, the Company sold 100% of its shareholding in subsidiary company Electra Insurance Limited ('Electra') to Acumen Holdings IV Limited, a company based in Bermuda, for £1m. The investment in Electra was impaired in 2021 to reflect the expected realisable value of £1m from the sale.

Seal Sands power station stopped commercial generation on 31 March 2022 as planned. Immense gratitude goes to those whose work on the site over the years has ensured it remained an integral part of the Company's embedded asset fleet, as well as those whose commitment will allow the closure and decommissioning process to run smoothly.

Two of our power stations marked significant anniversaries in the year. Didcot B celebrated its 25th anniversary of operating an efficient gas-fired power plant since 1997 and Pembroke marked its 10th anniversary of safe and successful operations.

RWE GENERATION UK PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Business environment
The market saw an increase in energy prices at the end of 2021 which were further exacerbated in 2022 by the war in Ukraine. As UK and EU nations sought to cut off Russian gas and seek alternative supplies, this resulted in volatile spark spreads trending upwards especially from Q2 2022. This contributed to the results for the year however, energy prices have then stabilised and dropped in the early part of 2023.

Many European countries have introduced measures to provide relief for consumers as a result of this price volatility. The UK Government has introduced an Energy Generator Levy (EGL) effective 1 January 2023 that aims to tax extraordinary electricity generation revenues.

Revenue above £75/MWh will be taxed at 45% based on annual average generation receipts. The Company predominantly operates gas-fired power stations and this technology is exempt from the levy. However, some of the Company's hydro power stations and its subsidiary's biomass power station at Markinch will be subject to the EGL. The financial impact of the EGL to the Company and its subsidiary RWE Markinch Limited is not expected to be material.

Towards the end of 2022, it was looking increasingly likely that the UK would fall into a technical recession in 2023 with very low growth. The outlook has improved slightly with the UK expected to avoid recession but with stagnant growth.

Strategy and future outlook
The RWE Group has an ambitious growth strategy that is not limited just to its renewable operations. The long-term strategy is to decarbonise the conventional power generation fleet by investing in carbon capture and hydrogen opportunities. There will still be a need for flexible generation assets to meet demand when there is not enough wind or solar power generation available.

The Company currently provides flexible generation to meet demand with its current portfolio of gas-fired power stations, hydro-powered stations and through its subsidiary's biomass power station at Markinch. Providing security of supply in order to 'keep the lights on' is really important to the Company. The UK Capacity Market is designed to ensure there is sufficient energy capacity, safeguarding against blackouts. The Company successfully won contracts in the T-1 and T-4 auctions that took place in 2022 and February 2023. The contracts enable the Company to continue to deliver on providing security of supply to the UK energy market.

The short-term aim of the Company is to continue to provide energy security to the UK energy market with mid to long-term aims being to support the energy transition and decarbonise the conventional generation fleet.

2022 was an extraordinary year, largely attributable to very high power prices and spreads as well as extreme price volatility. In 2023, effects of this may still become apparent and it is expected that profits would be similar to previous year's level. However, it is generally possible that the write-backs processed in 2022 in respect of the perviously impaired power stations could reverse e.g. a fundamental change to the UK power market or a significant decline in power prices after the very high levels in 2022 relating to the European energy crisis after the Russian attack on Ukraine.

Principal risks and uncertainties
The energy sector is dynamic with changes in regulatory, environmental and commercial topics having significant effects on the profitability of the portfolio and influencing the direction of the business and future strategy. Such changes in these areas mean that risk management is critical to the Company to the extent that all risks are systematically identified, assessed, managed and mitigated by way of formal processes.

The primary responsibility for risk management lies with the Executive Board of RWE AG who monitors and manages the overall risk of the Group and its operational subsidiaries. In line with the requirements of the German Corporate Control and Transparency Act (KonTraG), the Company's risk management system enables the directors to identify risks at an early stage and carry out a formal review and assessment to initiate mitigating action where necessary. The energy risk management activities undertaken by RWEST on behalf of the Company are also overseen by the RWE AG Board.

The management of the business and execution of the Company's strategy are subject to a number of risks. Detailed discussions of these risks and opportunities, in the context of the RWE AG Group as a whole, are provided on pages 65 to 74 of the RWE AG 2022 Annual Report.

Section 172 statement
The Directors take their duties and responsibilities seriously when managing the Company. The way in which their duties and responsibilities are applied is covered, in part, within the Governance report on pages 14 - 16 of this annual report.

During the year there were a number of important decisions taken by the Directors. The following highlights how the Directors have delivered against the requirements of s.172 in the application of their duties.

S172(1) (A) "The likely consequences of any decision in the long term"

The Directors understand the business and the evolving environment in which the Company operates. The UK strategy is aligned with the wider RWE Group strategy and is intended to maintain and strengthen the position as a leading energy generation company, while keeping safety and social responsibility fundamental to the core business approach.

The Directors recognise how operations are viewed by different parts of society and that some decisions taken today may not align with all stakeholder interests.

The business plan is designed to have a long-term beneficial impact on the Company and to contribute to its success in delivering security of supply for the UK, whilst seeking to optimise and improve the existing assets, together with consideration of new market opportunities. The Directors continue to operate the business within tight budgetary controls and in line with regulatory targets.

The Directors provide a safe and secure working environment for employees, contractors and local stakeholders. The planning process also takes into account the impact of the Company's operations on the community and environment and our wider societal responsibilities. A number of the proposed performance measures in the plan will deliver environmental improvements.

S172(1) (B) "The interests of the Company's employees"

The Directors recognise that employees are fundamental and core to the business and to the delivery of strategic ambitions. The success of the business depends on attracting, retaining and motivating employees. From ensuring that the Company remains a responsible employer, to pay and benefits and to the health, safety and workplace environment, the Directors factor the implications of decisions on employees and the wider workforce, where relevant and feasible. The Directors also recognise that the Company's pensioners, though no longer employees, also remain important stakeholders. Further details of how the Directors engage with their employees is captured within the Governance report on pages 14 - 16.

The Directors agree that employee engagement is an important measure. As part of a wider RWE Group survey shared with all employees supports the Company's employee engagement process and helps measure motivation, affiliation and commitment to RWE. It also provides insights into employee views, which can be responded to and acted upon, and has a consistently high response rate.

S172(1) (C) "The need to foster the Company's business relationships with suppliers, customers and others"

Delivering the strategy requires good relationships with suppliers, customers, governments and local communities. The Directors assess the priorities related to the relevant stakeholders with whom we do business, and, where applicable, a member of the Board ensures close collaboration with the stakeholders on these particular topics, for example, within the context of business strategy updates and investment/divestment proposals.

The Directors receive information updates which inform how stakeholders have or will be engaged with on key decisions. They recognise the important role the Company has to play in society and remain committed to public collaboration and stakeholder engagement.

The Company continues to build on how it communicates and engages with others, such as suppliers, industry and trade groups, universities, governments, non governmental organisations (NGOs) and, in some instances, our competitors through industry bodies. It also aims to act responsibly and fairly in how it engages with suppliers and co-operates with regulators, all of whom are integral to the successful delivery of the Company's plans.

S172(1) (D) "The impact of the Company's operations on the community and the environment"

The Directors ensure that Environmental, Health and Safety, and Social Responsibility policies and plans are in place to help protect both people and the environment.

S172(1) (E) "The desirability of the Company maintaining a reputation for high standards of business conduct"

The Directors periodically review and approve clear plans, policies and frameworks, such as the RWE Code of Conduct, specific ethics & compliance Directives, and the Modern Slavery and Human Trafficking Statement, to ensure that high standards are maintained internally and across external business relationships. This is complemented by the ways the Directors are informed and monitor compliance with relevant governance standards.

The Company has a designated Compliance Officer to assure that both the way in which decisions are taken and how the Company acts to promote high standards of business conduct. This is also augmented by Compliance (business ethics) training that is mandatory for all employees to undertake annually.

The Directors recognise their role in ensuring the desired culture is embedded in the values, attitudes and behaviours the Company demonstrates, including external activities and stakeholder relationships.

S172(1) (F) "The need to act fairly as between members of the Company"

The Company is held directly by a single member, and has one ultimate parent company, RWE AG. After weighing up all relevant factors, the Directors consider which course of action best enables delivery of our strategy through the long-term, taking into consideration the impact on the RWE group. In doing so, the Directors act fairly as between the immediate Company's member and the ultimate parent.

RWE GENERATION UK PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

During 2022, Board discussions and decisions included the following:

Strategic planning, risk and performance Capacity Market auctions Restructuring Dividend	**Stakeholders engaged on this topic** Shareholder and ultimate parent Government and regulators Our people Pension trustee board
Operational, investment, divestment Station upgrades and repairs Demolition and land sale projects: Cheshire, Grimsby, Tilbury and Aberthaw Closure of Seal Sands OCGT Stability Pathfinder Pembroke Hydrogen project development Battery, thermal and grid stability projects Sale of Electra Insurance Limited	**Stakeholders engaged on this topic** Shareholder and ultimate parent Communities and NGOs Government and regulators Suppliers Our people
People, culture, stakeholders Health, safety and wellbeing Covid-19 pandemic Diversity, equity and inclusion Charitable donations Gender pay gap report Employee pay and bonus Pensions valuation and Master Trust Share Incentive Plan	**Stakeholders engaged on this topic** Shareholder and ultimate parent Communities Suppliers Our people Pension trustee board
Political and regulatory environment Modern Slavery & Human Trafficking statement Network & Information Systems regulation improvement plan Policy, Public Affairs and communications engagement strategy Fit and proper policy	**Stakeholders engaged on this topic** Shareholder and ultimate parent Communities and NGOs Government and regulators Our people
Governance and compliance Delegations of Authority and board reserved matters Governance and Steering review Cyber security Compliance update, audit and training Formal board and Directorate changes Tax strategy and corporate criminal offences policy	**Stakeholders engaged on this topic** Shareholder and ultimate parent Our people

On behalf of the board

DocuSigned by:

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Mrs S Lange
Director

29 June 2023

RWE GENERATION UK PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their annual report and audited financial statements for the year ended 31 December 2022.

The corporate governance statement set out on pages 14 to 16 forms part of this report.

Principal activities
The Company is a wholly owned subsidiary of RWE Generation UK Holdings Limited. The Company manages a fleet of twelve gas-fired power stations and 22 hydro-electric power stations located across Great Britain with an installed capacity of 7.4 GW.

Results and dividends
The results for the year are set out on page 21.

The directors did not propose or pay a final dividend for the year ending 31 December 2022 (2021: interim dividend of £6m paid).

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

Mrs H Mallett	(Resigned 31 October 2022)
Mr M Suleman	(Resigned 30 December 2022)
Mr W Jeffery	
Mrs S Lange	(Appointed 1 November 2022)
Mrs S Standen	(Appointed 1 January 2023)

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

Financial risk management
Capital management
The Company's objectives, policies and processes for managing capital are consistent with those of the RWE AG group. Detailed discussions of these, in the context of the RWE AG group as a whole, are provided on page 138 of the RWE AG 2022 Annual Report.

Commodity price risk
Market risk is the risk that changes in commodity prices will affect the Company's profits. It is the group policy of RWE AG that commodity price risks should be managed by RWEST to the extent that the markets are sufficiently liquid. The principles for the transfer of market price risk to RWEST are controlled by the risk policies issued by RWE AG.

Interest rate cash flow risk
The Company has interest-bearing assets comprising loans to group undertakings. The interest-bearing assets bear interest monthly at SONIA rate minus 10 basis points. The Company has no interest-bearing liabilities.

Foreign currency risks
All of the Company's trading activities are located in the United Kingdom. The majority of the Company's transactions are denominated in sterling and do not give rise to foreign currency exposure. The Company has contracts in place for the ongoing maintenance and outage related costs at Combined-Cycle Gas Turbine (CCGT) fleet of power stations which involve non-sterling payments. Forward foreign currency contracts are used to hedge these exposures.

Credit risk

The credit risk associated with the use of financial instruments in connection with the Company's energy trading activities is carried out by RWEST on behalf of the Company.

In financial and trading operations, we primarily have credit relationships with banks and other financial institutions with good creditworthiness. The ultimate parent undertaking, RWE AG, assesses their credit standing based on external ratings and if no such ratings are available applies internal assessment methods. Any changes to the credit standing of banks and other financial institutions are communicated by RWE AG to its subsidiaries and appropriate action is taken.

General risk management

Operational risk relates to the risk of processes, controls or competencies that affect the Company's profits. These are formally reviewed and assessed by the Company's directors. The energy risk management activities undertaken by RWEST on behalf of the Company are overseen by a Risk Committee, chaired by a member of the RWE AG Board. This Risk Committee must approve the types of financial instrument used for risk management purposes and establishes limits, in terms of positions, which can be held with respect to our market risk and a control framework within which energy risk management activities are conducted.

Equal opportunities and diversity

We are committed to creating a diverse and inclusive organisation and to valuing the contribution that our employees make.

We welcome and respect differences in culture, background, working style, education and other less obvious differences. We value the contribution that people from all backgrounds can make to the success of our business, irrespective of sex, marital status, race, nationality, ethnic or national origins, disability, age, religion or belief, sexual orientation and trade union affiliation.

Our commitment means that we continually seek to improve our policies, procedures and codes of practice to ensure that our employees, potential employees and other workers are treated equally, fairly and on merit. Employment decisions affecting both job applicants and employees with disabilities will be made following any reasonable adjustments that may be necessary to ensure fair treatment. In addition, appropriate arrangements are made for training, career development and promotion of disabled persons employed by the Company. If members of staff become disabled the Company continues employment, either in the same or an alternative position, with appropriate training being given if necessary.

Employee involvement

The success of our business depends on the ability, commitment and dedication of our employees and we thank them for their continued efforts. The Company is committed to the development of all staff in order to leverage our intellectual capital. Among many development and training initiatives, all staff are encouraged to maintain personal development plans.

Effective communication with staff is vital. The Company 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. Corporate publications and other media, including distribution of key development messages and team briefings, are used to promote wide understanding of policies and strategy.

Health and Safety remains of the utmost priority and we are committed to sharing best practice across the Company, maintaining our high standards and striving for improvements. We take every measure to protect everyone we work with – not only our employees, but also our contractors, visitors and the public. We also take every opportunity to promote wellbeing at work.

Details of how the Company engages with its employees can be found in the Strategic Report on 1 - 5 and Corporate Governance statement on pages 14 - 16.

RWE GENERATION UK PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Business relationships
The Company's objectives, policies and processes for managing its relationships with suppliers, customers and others with a business relationship with the Company are consistent with those of the RWE AG group. Detailed discussions of these, in the context of the RWE AG group as a whole, are provided in the 2022 RWE AG Corporate Responsibility Report available at www.rwe.com.

Post reporting date events
Land sales at former power generating sites at Tilbury and Aberthaw were concluded in Q1 2023. The gain arising on the sales are a non-adjusting event and will be included in the Company's income statement in the 2023 annual report. See note 36 for further details.

Future developments
Details of likely future developments of the Company are provided in the Strategic Report on pages 1 - 5.

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

RWE GENERATION UK PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Streamlined Energy and Carbon Report

Introduction

This report details RWE Generation UK's energy consumption and greenhouse gas emissions (GHG) as required by the Streamlined Energy and Carbon Reporting (SECR) reporting requirements. This report uses 2019 as the base year for assessing the changes.

Greenhouse gas emissions are grouped into three scopes:
- Scope 1 – Direct emissions from controlled or owned sources
- Scope 2 – Indirect energy emissions from the consumption of purchased energy
- Scope 3 – Other indirect emissions as a consequence of our actions; within this report these emissions are those associated with car hire and HR mileage business travel.

The RWE Group has a long term objective to be climate neutral by 2040 committing to achieve a 50 percent reduction in specific greenhouse gas emissions from Scope 1 and 2 by the year 2030, compared to the base year 2019. The company aims to reduce Scope 3 emissions by 30 percent by 2030. The wider RWE Group includes a substantial and growing portfolio of renewable energy assets. RWE Generation UK plc is committed to supporting RWE group objectives and our portfolio plays an important role in supporting security of supply, complementary to the growth of wind and solar.

Over recent years, RWE Generation UK plc has actively moved towards cleaner power generation technologies. The Company's last coal-fired power station closed in March 2020 and our CCGT fleet contains some of the most efficient plant in the UK. We are also actively developing projects (e.g. carbon capture and storage (CCS) retrofit) to decarbonise our portfolio and additionally our hydrogen team is developing projects with the potential to contribute to the decarbonisation of other sectors.

Reporting Scope
The data covered by this report for 2022 and the 2019 base year includes all of the mandatory GHG emissions and energy use as a result RWE Generation UK plc's activities within the UK.

In summary, this includes all GHG emissions and energy use associated with the following:

- All operational generation sites
- Office buildings, workshops and stores buildings
- Business travel in hire cars or employee-owned vehicles (Scope 3 GHG) and
- Generation site owned or controlled vehicles and mobile plant excluded from the scope of the UK ETS (Scope 1 GHG)

Energy Use

The energy used as a result of RWE Generation UK plc's activities during 2022 is summarised and compared with that for 2019 in Table 1. The energy data includes all of the energy use for the activities set out in the scope above.

During 2022 there was an increase in the electricity generation from the Company's plant, increasing by 13.39% compared to the 2019 base year (39,313,174 MWh compared to 34,671,756 MWh). These numbers include works power, which is generated by the power stations for their own use. As can be seen from Table 1, the 2022 increase in electricity generation resulted in a corresponding 12.97% increase in energy consumption of fuels used for power generation.

There was a further decrease in the amount of imported works power consumption, -47.08% compared with 2019 (and -12.25% on 2021). This reduction is partly due to the increased generation in 2022, as the Company's highly efficient CCGT units only import works power whilst off-load. Changes to the portfolio have also contributed to the reduction in works power in 2022 compared to 2019, with notable reductions from the closure of Aberthaw in 2020 and to a lesser extent the closure of Seal Sands power station in March 2022. The purchase of King's Lynn in February 2020 has reduced the decrease that would otherwise have occurred.

During 2022, when feasible, the continued use of online technology for virtual meetings together with the promotion of hybrid working has reduced energy consumption for business travel by -44.84% compared to that of 2019 (a reduction of over 1.3 million miles driven (-113.70%)).

RWE GENERATION UK PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Since 2019 there have been a number of office location closures including Swindon Electron and Cogen Court, these closures have decreased the gas and electricity purchased by -26.61% and -6.85% respectively.

For 2022, as included in Table 1 for the first year, company owned or controlled vehicle (and mobile plant) energy consumption has been included separately, albeit with some conservative estimates included.

Table 1 - Energy Consumption

Energy Consumption (MWh)	**2022**	**2019**	**Change from 2019 %**
Fuels for power generation	68,618,189	60,738,291	12.97%
Imported works power	61,771	116,731	-47.08%
Gas - Offices & other buildings	1,001	1,364	-26.61%
Purchased electricity - Offices etc & auxiliary supplies	4,502	4,833	-6.85%
*Company owned or controlled vehicle and mobile plant (scope 1)	2,131	3,015	-29.32%
**Business travel (scope 3)	1,390	2,520	-44.84%
Total Energy Consumption (MWh)	**68,688,984**	**60,866,754**	**12.85%**

**GHG Scope 1 company owned vehicle and mobile plant includes conservative estimations for some individual vehicles or plant.*
***Revised 2019 GHG Scope 3 Business Travel after correction following the reposition to Scope 1 GHG of energy use in company owned or controlled vehicle and mobile plant consumption.*

Greenhouse Gas Emissions

Due to the 2022 increased energy consumption in fuels used for power generation, the Scope 1 GHG emissions for the business increased correspondingly (8.41% since 2019, see Table 2 for GHG Emissions).

During 2022 there was a decrease in Scope 2 GHG emissions. Much of this Scope 2 reduction was due to the previously mentioned reduction in imported works power as CCGTs require imported works power when they are not running. In addition, Scope 2 GHG emissions from purchased electricity for our offices (a proportion of total Scope 2 Emissions, untabled) fell by -29.52% between 2019 and 2022, this reduction is as a result of two factors; a reduction in consumption (see Table 1) along with the decarbonisation of the UK electricity supply during this period.

Planned business activities such as the decommissioning activities at Aberthaw power station, the sale of some redundant sites (including Blyth) and the 2022 closure of Seal Sands have also reduced Scope 2 GHG emissions since 2019. As mentioned within "Energy Use", business travel has significantly reduced during 2022 with a corresponding -54.88% decrease in GHG Scope 3 emissions since 2019.

In recent years, as the vast majority of the company's electricity generation has been from CCGT plant fuelled by natural gas, Aberthaw power station was the only generating plant in the business using coal and biomass fuels for power generation. Therefore, with Aberthaw's closure, the associated emissions from coal and biomass fell to zero in 2020. The greenhouse gas emissions associated with the above energy consumption are summarised in Table 2 below.

RWE GENERATION UK PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Table 2 - Greenhouse Gas Emissions

GHG Emissions (t CO2e) Summary	**2022**	**2019**	**Change from 2019 %**
Total Scope 1 Emissions	**13,884,082**	***12,806,753**	**8.41%**
Includes UK ETS Emissions (fossil fuel)	13,818,144	12,747,187	8.40%
Excludes UK ETS Biomass Emissions (tCO2e)	-	956	-100%
Includes N2O and CH3 Emissions from other fuels (tCO2e)	65,242	58,566	11.40%
Includes Biomass N2O and CH4 Emissions (tCO2e)	-	12	-100%
Includes site owned or controll vehicles and mobile plant (not included in scope of UK ETS)	513	737	-30.39%
Includes other Scope 1 direct emissions (gas purchased) for offices	183	251	-27.09%
Total Scope 2 Emissions	12,816	31,465	-59.27%
Total Scope 3 Emissions	328	**727	-54.88%
Total Scope 1, 2 & 3 Emissions (excluding Biomass emissions (CO2))	**13,897,226**	**12,838,945**	**8.24%**

**2019 Total Scope 1 Emissions revised to 1) include site owned or controlled vehicles and mobile plant (includes conservative estimates of fuel use), which had previously been reported incorporated into Scope 3 business travel and 2) correct the magnitude of direct emissions from gas purchased for offices, over-reported by factor of 3 since 2019.*

***2019 Scope 3 Business Travel corrected following the removal of GHG Scope 1 site owned vehicles and mobile plant emissions.*

****UK ETS Biomass Emissions (tCO2e): under the UK and EU Emissions Trading Scheme (ETS), the emission factor for biomass is zero, therefore in Table 2, 2019 Total Scope 1 Emissions do not include the 956 tCO2e.*

Intensity ratio

For electricity utilities, the most commonly used intensity metric is the carbon intensity of their power plant measured in tonnes CO2e per megawatt hour (t CO2e/MWh).

For the Company's generating plant, during 2022 the carbon intensity from the combustion of UK ETS fossil fuels continued its downward trend, decreasing from 0.368 tCO2e/MWh during 2019 to 0.351 tCO2e/MWh in 2022 (0.353 tCO2e/MWh in 2021). Apart from the company's inherent focus on energy efficiency, the decrease in carbon intensity was a result of the company's move towards cleaner power generation technologies with the significant milestones being the closure of Aberthaw Coal Power Station in early 2020, the purchase of Kings Lynn CCGT in February 2020 and the inclusion the UK Hydro plant from August 2020.

Energy Efficiency action

As energy efficiency is central to the operation of the Company's generating plant, the site teams, supported by the central functions, are continually striving to improve the performance of the generating plant.

During 2022, one of the more significant projects was the successful completion of a cooling tower re-packing project at one of the business's CCGT plants. The 2022 project, together with 2022 outage increased the electricity output capacity by ~38MWe and also significantly improved efficiency by 0.43%.

Methodologies used in calculations and disclosure

All fuel consumption and CO2 emissions data for the Company's generating plant are externally verified as required for compliance with the UK Emissions Trading System.

Other information such as GHG emissions and energy consumption from business travel has been calculated using the UK Government GHG Conversion Factors for Company Reporting for the relevant year.

RWE GENERATION UK PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Estimated data and assumptions

As can be seen from Table 3 below, the vast majority of the business's energy consumption and GHG emissions data are externally verified for the generating plant's UK ETS compliance. Almost all other operating plant data and the associated emissions are either measured or calculated from known values. The principal area where energy consumption and the associated GHG emissions have needed to be estimated in 2022 is the activity of site owned vehicles. However, as illustrated from the figures below, the magnitude of this estimated data is not material.

Table 3 - Data Quality

	2022	2019
Data Quality		
Energy consumption		
Externally verified data (%)	99.897%	99.789%
Externally unverified data (%)	0.100%	0.206%
Total estimated date (%)	0.003%	0.005%
Fossil Fuel Emissions (tCO_2e)		
Externally verified data (%)	99.431%	*97.285%
Externally unverified data (%)	0.565%	0.709%
Total estimated date (%)	0.004%	0.006%

**Revised down from previously reported 99.39% due to Scope 1 purchased gas previously over-reported (see Table 2 footnote)*

Statement of directors' responsibilities

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

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

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

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

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

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

Statement of disclosure to auditors

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.

On behalf of the board

DocuSigned by:

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Mrs S Lange

Director

29 June 2023

RWE GENERATION UK PLC

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

Introduction
For the year ended 31 December 2022, under The Companies (Miscellaneous Reporting) Regulations 2018, the Company has applied the Wates Corporate Governance Principles for Large Private Companies (published by the Financial Reporting Council ('FRC') in December 2018).

This report sets out below how the Principles have been applied over the past year across RWE Generation UK plc and its active subsidiary undertakings.

Principle 1 – Purpose and leadership
Both the Board and the wider RWE Group take our role as a major partner for the energy transition and for security of supply very seriously, particularly when it comes to acting responsibly. Integrating this fundamental concept of corporate responsibility in all of our business processes is one of our key objectives. To do this, we participate in international initiatives and have set ourselves strict principles for our actions with internal guidelines.

The Board have adopted the RWE Group values which are TRUST, PERFORMANCE and PASSION. These describe the core of our identity. They provide stability and reliable guidelines for our behaviour and decisions, but also build the basis of all our personnel systems and evaluation tools.

Principle 2 – Board Composition
The Board is represented by Directors from three core business areas with the RWE Group for the UK: Head of Asset Management, Head of Commercial Asset Optimisation and Head of Gas Controlling/Finance Director UK. All Directors have an equal standing. Whilst there is not a separate Chairman and Chief Executive, each of the Board members holds a clear balance of responsibilities, accountabilities and decision making in respect of the business areas they represent.

The Directors have equal voting rights when making decisions. All Directors have access to the advice and services of the Company Secretary and may, if they wish, take professional advice at the Company's expense. The duties of the Board are executed partially through committees.

The Board ensures that the values, strategy and culture are implemented and communicated consistently to the workforce through regular team brief cascades, senior management conferences and site visits. Directors update their skills, knowledge and familiarity with the RWE Group by meeting with senior management, visiting operational sites and by attending external seminars and training courses, where appropriate.

The Company continues to adhere to best practices and areas of focus, review and challenge in the area of governance and compliance.

Principle 3 – Directors Responsibilities
Accountability and good governance supports open and fair business, ensures that the Company has the right safeguards in place and makes certain that every decision it takes is underpinned by the right considerations. Whilst Board oversight is always maintained, key decisions are made by the individuals and committees with the most appropriate knowledge and industry experience. Each Board member has a clear understanding of their accountability and responsibilities.

The Board held 13 formal meetings in 2022. The Board's key areas of focus in 2022 are included on in the Strategic Report on pages 1 - 5. The Directors, Committee members and other executives complete an annual RWE Code of Conduct declaration confirming that they, and their respective teams, have adhered to and worked in accordance with the RWE behaviours and values. In addition, measures are in place for all Directors and Committee members to declare any potential conflicts of interest. These declarations are collated by the Company Secretary and shared with the external auditors and, where applicable, the RWE AG Chief Compliance Officer. Where there are potential conflicts appropriate safeguards are implemented.

Committees
Together with matters reserved for the Board, the Board also delegates authority for certain matters to the following Committees:

Health, Safety and Wellbeing Review Committee

The Health, Safety and Wellbeing Review Committee (HSWRC) purpose is to define and develop the strategy to deliver the desired Health and Safety culture of the business, by driving forward new programmes that support measures for the continuous reduction of Health and Safety incidents and accidents across the UK, and to regularly review the effectiveness of the strategy and actions. The HSWRC also considers the health and wellbeing programmes for our workforce together with support programmes for managers and employees.

The HSWRC consists of individuals responsible for the delivery, implementation and employee and senior management engagement associated with health and safety in the UK. Together with the Board, the following individuals are members of the HSWRC: Stephen Duffy, UK HR Director; Stephen Boughton, Head of Hydrogen Business Development UK; Alison Chappell, Head of GCB-CD Demolition and Closed Sites; John Reilly, Head of Safety UK; Michael Magee, Director RWE Technology UK Limited, Keith Moorcroft, Head of Hydro O&M UK, Christine Wright, Occupational Health Manager, and Mark Thomas, Business Planning and Performance Reporting Manager RWE Supply & Trading GmbH.

The HSWRC met 7 times in 2022.

Charities Committee

The purpose of the Charities Committee is to put in place the measures to allow support across all sites through donations, sponsorships, volunteering and community engagement that is consistent with RWE Generation UK plc's overall corporate responsibility strategy and objectives. The Committee seeks to strike a balance between national, regional and local (to our operations) activities with a specific focus on supporting the most vulnerable groups in society which also aligns with our company values.

The members of the Charities Committee are: Jason Keene, Company Secretary & Compliance Officer; Stephen Duffy, UK HR Director; Stephen Boughton, Head of Hydrogen Business Development UK, and Alison Chappell, Head of Demolition and Closed Sites

The Charities Committee met 9 times in 2022.

Principle 4 – Opportunity and Risk
The Board seeks out opportunity whilst mitigating risk. The Board seeks out opportunities drawn from the business and which align to the overall RWE Group strategy. Short term opportunities to improve performance, resilience and liquidity are collated through the internal business review process.

The Board ensures that inherent and emerging risks are identified and managed appropriately and in a timely manner. A list of emerging risks and opportunities are maintained, reported and reviewed on a frequent basis by the Board, Financial Controlling and Legal.

Principle 5 – Remuneration
The Company continues to apply a framework against which it seeks to recruit and retain quality senior management who can deliver the RWE Group's strategic ambitions in a manner consistent with both its purpose and the interests of its shareholders.

The HR Director makes recommendations to the Board concerning the RWE Group's remuneration strategy, recruitment framework and long-term incentive plans for senior executives. The Company takes advice from both internal specialists together with independent external consultants who provide updates on legislative requirements, best market practice and remuneration benchmarking, drawing on evidence from across the sectors in which the Company operates and from other sectors.

Pay is aligned with performance and takes in to account fair pay and conditions across the Company's workforce. The Company's remuneration policy for executives is consistent with companies of a similar size and complexity, as well as other companies operating within the energy sector.

In 2022, the Company produced its third annual Gender Pay Report. The report highlighted improvements on the previous year, together with further areas of focus for the future.

Principle 6 – Stakeholders
The Board understands good governance and effective communication help to protect the RWE brand, reputation and relationships with all our stakeholder community including shareholders, customers, employees, suppliers and the local communities in which we work. The Board continues to seek to align the Company's strategic direction with RWE Group's aspirations for sustainability, growth, diversification and investment in the UK.

External impacts
The Board is committed to social responsibility, community engagement and environmental sustainability. It achieves this in part through its commitment to ensuring the health, safety and wellbeing of everyone who the Company engages with, creating positive environmental and social impact; being an employer of choice where everyone is valued and respected; and seeking new ways to ensure the sustainability in our buildings and operational sites.

The RWE Group stands for transparency and is committed to sustainability. We have clear principles, which form the basis for our corporate and social activities.

In 2022, across the Company, donations of £198k were made to over 200 charities and community groups in the UK.

RWE GENERATION UK PLC

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF RWE GENERATION UK PLC

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2022 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, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: Statement of financial position as at 31 December 2022; 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, as applicable to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 8 of the financial statements, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Assessment of the assumptions used by company in its forecast;
- Performed sensitivity analysis over key figures;
- Performed inquiries with management regarding any events that could adversely impact the business; and
- Comparison of budgeted figures with the actual results of the first quarter of 2023 to ensure the reasonability of the forecast

RWE GENERATION UK PLC

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF RWE GENERATION UK PLC

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

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

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

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

Reporting on other information

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

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

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

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

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2022 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.

RWE GENERATION UK PLC

INDEPENDENT AUDITORS' REPORT (CONTINUED)
TO THE MEMBERS OF RWE GENERATION UK PLC

Auditors' responsibilities for the audit of the financial statements

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

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

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

- Enquiry of management, those charged with governance and entity's in-house legal team around actual and potential litigation and claims.
- Enquiry of entity staff in tax and compliance functions to identify any instances of non-compliance with laws and regulations.
- Review of minutes of meetings of those charged with governance.
- Evaluation of management's controls designed to prevent and detect irregularities.
- Review of financial statements disclosures and testing of supporting documentations to assess compliance with applicable laws and regulations; and
- Auditing the risk of management override of controls, including testing journal entries and other adjustments for appropriateness, testing accounting estimates (because of the risk of management bias), and evaluating the business rationale of significant transaction outside the normal course of business.

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

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

Use of this report

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

RWE GENERATION UK PLC

INDEPENDENT AUDITORS' REPORT (CONTINUED)
TO THE MEMBERS OF RWE GENERATION UK PLC

Other required reporting

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

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

We have no exceptions to report arising from this responsibility.

Fiona Hornsby

Fiona Hornsby (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
29 June 2023

RWE GENERATION UK PLC

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £m	2021 £m
Turnover	4	7,943	4,433
Cost of sales: excluding exceptional items		(7,200)	(4,279)
Cost of sales: exceptional items	5	288	9
Gross profit		1,031	163
Administrative expenses		(59)	(56)
Other income/(costs)	7	1,517	(1,216)
Operating profit/(loss)	9	2,489	(1,109)
Finance income	10	19	20
Interest payable and similar expenses	11	(4)	(5)
Exceptional items	12	-	(19)
Finance income/(expense) - net		15	(4)
Profit/(loss) before taxation		2,504	(1,113)
Tax on profit/(loss)	14	(514)	242
Profit/(loss) for the financial year		1,990	(871)

RWE GENERATION UK PLC

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 £m	2021 £m
Profit/(loss) for the year	1,990	(871)
Other comprehensive income/(expense):		
Items that will not be reclassified to profit or loss		
Actuarial gain on defined benefit pension schemes net of deferred tax	41	49
Items that may be reclassified to profit or loss		
Investments held at fair value through other comprehensive income:		
- Valuation loss arising in the year	(4)	-
Cash flow hedges:		
- Hedging gain/(loss) arising in the year	3	(2)
Total items that may be reclassified to profit or loss net of deferred tax	(1)	(2)
Total other comprehensive income for the year	40	47
Total comprehensive income/(expense) for the year	2,030	(824)

RWE GENERATION UK PLC

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Notes	2022 £m	2021 £m
Fixed assets			
Tangible fixed assets	**15**	1,239	995
Tangible fixed assets held for sale	**16**	1	1
Investments	**17**	2	3
		1,242	999
Current assets			
Stocks	**19**	13	6
Derivative financial instruments	**20**	97	5
Deferred tax asset: realisable after more than one year	**21**	-	303
Defined benefit pension surplus	**22**	119	67
Trade and other receivables	**23**	2,368	1,378
Investments	**17**	13	17
Cash at bank and in hand		1	2
		2,611	1,778
Creditors: amounts falling due within one year			
Trade and other payables	**24**	81	284
Taxation and social security		139	6
Derivative financial instruments	**20**	-	1,369
Lease liabilities	**26**	1	1
		221	1,660
Net current assets		2,390	118
Total assets less current liabilities		3,632	1,117
Creditors: amounts falling due after more than one year			
Trade and other payables	**24**	7	4
Lease liabilities	**26**	7	7
		14	11
Provisions for liabilities			
Deferred tax liabilities: realisable after more than 1 year	**21**	91	-
Other provisions	**27**	956	565
		1,047	565
Net assets		2,571	541

RWE GENERATION UK PLC

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2022

	Notes	2022 £m	2021 £m
Capital and reserves			
Called up share capital	**28**	-	-
Revaluation reserve	**29**	7	11
Hedging reserve	**30**	1	(2)
Profit and loss reserves		2,563	532
Total equity		2,571	541

The notes on pages 26 to 61 are an integral part of these financial statements.

The financial statements on pages 21 to 61 were approved by the board of directors and authorised for issue on 29 June 2023 and are signed on its behalf by:

DocuSigned by:

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Mrs S Lange
Director

Company Registration No. 03892782

RWE GENERATION UK PLC

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Share capital £m	Revaluation reserve £m	Hedging reserve £m	Profit and loss reserves £m	Total £m
Balance at 1 January 2021		-	11	-	1,360	1,371
Year ended 31 December 2021:						
Loss for the year		-	-	-	(871)	(871)
Other comprehensive income:						
Actuarial gains on pensions scheme		-	-	-	49	49
Cash flow hedges gains		-	-	(2)	-	(2)
Total comprehensive income for the year		-	-	(2)	(822)	(824)
Transactions with owners in their capacity as owners:						
Dividends	32	-	-	-	(6)	(6)
Balance at 31 December 2021		-	11	(2)	532	541
Year ended 31 December 2022:						
Profit for the year		-	-	-	1,990	1,990
Other comprehensive income:						
Actuarial gains on pensions scheme		-	-	-	41	41
Adjustments to fair value of financial assets		-	(4)	-	-	(4)
Cash flow hedges gains		-	-	3	-	3
Total comprehensive income for the year		-	(4)	3	2,031	2,030
Balance at 31 December 2022		-	7	1	2,563	2,571

RWE GENERATION UK PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2022 that have a material impact on the company's financial statements.

2 Accounting policies

Company information

RWE Generation UK plc is a public company limited by shares incorporated in England and Wales and domiciled in the UK. The registered office is Windmill Hill Business Park, Whitehill Way, Swindon, Wiltshire, United Kingdom, SN5 6PB.

2.1 Accounting convention

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

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

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

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

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

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment;
- 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;
- 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.

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, business combinations and related party transactions.

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

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

RWE GENERATION UK PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

2 Accounting policies **(Continued)**

2.2 Going concern

The directors have at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The directors consider this to be at least 1 year from the approval of the financial statements. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

2.3 Turnover

Turnover is measured at the fair value of the consideration received or receivable. The Company recognises turnover when performance obligations have been satisfied and this is when power has been generated. The Company also recognises income from activities with National Grid such as Balancing Marketing and Ancillary Services. In addition, Capacity Market income with Ofgem is recognised. The Company's activities are described in detail below.

Costs to obtain a contract

The Company has not incurred any costs to obtain a contract. The Company chooses to apply the practical expedient of IFRS 15.94 which allows the Company not to capitalise contract costs if the amortisation period of the asset would be 12 months or less.

Unsatisfied Performance Obligations

At the year-end, there are no performance obligations outstanding that are fully or partially unsatisfied by the Company. For contracts that have an original contract term of 12 months or less, the Company does not disclose the future turnover making use of the practical expedient of IFRS 15 article 121.

The Company recognises turnover from the following major sources:

- Power generation
- Ancillary and balancing mechanism services
- Renewables obligations certificates
- Capacity Market
- Feed in tariffs

The nature, timing of satisfaction of performance obligations and significant payment terms of the Company's major sources of turnover are as follows:

Power generation

Turnover mostly represents the value of power generated and sold through RWEST onwards to the market, adjusted for physically-settled derivatives. Power generation and supplementary turnover is recognised in the period in which it is earned with payment typically occurring one month after the satisfaction of the Company's performance obligations. A receivable is recognised when the services are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Since 2019, following the IFRIC decision on physically settled failed own use transactions, revenue and cost of sales for derivative financial instrument contracts are stated at the spot price. The difference between spot prices and contracted prices are recognised through other income/other costs. This adjustment does not result in any change to the underlying profit before taxation.

2 Accounting policies **(Continued)**

Ancillary and balancing mechanism services

Ancillary services relate to services provided to the National Grid. National Grid require a constant level of back-up generation that is ready to deal with sudden changes in demand, network failure and maintenance requirements in order to maintain a constant service of supply. Under most contracts, usage over a period dictates the amount of turnover recognised. Under other contracts such as balancing market contracts we are paid for being available to operate under certain conditions, which are tested to demonstrate compliance.

Balancing mechanism services objective is to enable National Grid to balance generation against system demand in real time. This is done through instructing willing generators to deviate from their contracted output at Gate Closure for a price. Generators submit Bids to buy energy back from National Grid (i.e. reduce their output) and Offers to sell energy to National Grid (i.e. increase their output). RWEST are responsible for the management of these Bids and Offers and their pricing levels. Turnover is recognised in the period in which it is earned.

Renewables obligations certificates

ROCs are granted to the Company in relation to the Hydro assets. They are recognised within turnover as eligible electricity is generated. They are recognised as current assets, grouped within accrued income. They are held at the best estimate of the prevailing market value at the year-end.

Capacity Market

The Capacity Market is designed to ensure sufficient reliable capacity is available so that consumers benefit from reliable electricity supplies. The Company has Capacity Market agreements and recognises turnover from the start and throughout the Capacity Market contract on an accruals basis. Included within turnover for 2022 is Capacity Market income relating to the 2021/2022 and 2022/2023 capacity years. Capacity Market obligations transferred to third parties is recognised in other income.

Feed in tariffs

The Feed in Tariff (FIT) scheme is a government programme designed to promote the uptake of small-scale renewable and low-carbon electricity generation technologies. Introduced on 1 April 2010, the scheme provides payments on both generation and export. Payments for both elements of the FIT are made on the same bill quarterly in arrears, the subsidy (generation) is paid on the total generation and the actual power exported to the grid is then paid as the export. FIT payments are made based on meter readings taken from compliant metering and submitted to the elected FIT Licensee and are at annually inflated fixed rates. Income is recognised in the month in which the generation occurred.

2 Accounting policies **(Continued)**

2.4 Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation and any provision for impairment in value. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. In the case of assets constructed by the Company, cost includes related works and administrative overheads and commissioning costs. Assets in the course of construction are included in tangible fixed assets on the basis of expenditure incurred at the statement of financial position date and are not depreciated until brought into use. Interest costs are capitalised for qualifying assets according to IAS 23 Borrowing Costs.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Depreciation is calculated so as to write down the cost of tangible fixed assets to their residual value evenly over their estimated useful lives. Estimated useful lives are reviewed periodically, taking into account commercial and technological obsolescence as well as normal wear and tear with a provision being made for any impairment in value.

Depreciation charges on power station buildings are shown against land and buildings and charges on the remainder of power station assets are shown against plant, machinery and equipment within note 15. Depreciation is provided on all tangible assets other than freehold land.

Freehold buildings	40 years
Leasehold land and buildings	Period of lease term
Plant and equipment	3-40 years

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.

Plant spares

Non-consumable plant spares are shown within tangible fixed assets. Plant spares are valued at the lower of cost and net realisable value. Obsolescence is reviewed annually on a plant by plant basis. The year-end plant spares value is written down on a straight line basis through depreciation over the remaining life of the plant. No provision is made for slow moving or defective stock over and above this straight line reduction.

2.5 Fixed asset investments

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

2.6 Impairment of tangible assets

At each reporting end date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, assets are allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

2 Accounting policies **(Continued)**

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 the income statement, 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 the income statement, 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.

2.7 Stocks

Stocks are stated at the lower of cost and net realisable value and comprise of stocks of oil and consumable spare parts. Cost is determined on a weighted average basis.

Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation. At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in the income statement.

Provision for obsolescence is recognised against spare parts and recognised over the life of the station.

2.8 Non-current assets held for sale

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

Fixed 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.

2.9 Cash at bank and in hand

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

2.10 Financial assets

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

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

2 Accounting policies (Continued)

Financial assets at fair value through profit or loss

Financial assets that are held within a different business model other than 'hold' or 'hold and sell' are categorised as 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 the income statement when incurred. A gain or loss on a financial asset measured at fair value through profit or loss is recognised in the income statement and is included within finance income or finance costs in the income statement for the reporting period in which it arises.

Financial assets held at amortised cost

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

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 the income statement when the debt instrument is derecognised.

Impairment of financial assets

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

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

Derecognition of financial assets

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

2.11 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'.

2 Accounting policies (Continued)

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 the income statement.

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.

2.12 Equity instruments

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

2.13 Derivatives

Derivative financial instruments are recognised as assets or liabilities. All derivative financial instruments are measured at fair value regardless of their purpose. Changes in the fair value are recognised as gains or losses with an effect on the income statement, unless they are designated as a cash flow hedge. Gains are recognised within other income and losses within other costs. Physically-settled derivatives that fail the own-use test are recognised through turnover or cost of sales in the income statement.

Financial assets and liabilities relating to commodity contracts and derivatives are offset and the net amount reported in the statement of financial position where there is a legal right to offset the recognised amounts and there is an intention to settle on a net basis.

Prices on active markets are drawn upon for measurement of fair value derivatives. If no prices are available, for example because the market is not sufficiently liquid, the fair values are determined on the basis of generally accepted valuation methods. In doing so, prices on active markets are drawn on as much as possible.

Future power and commodity positions are forward traded in line with expected future volume delivery/usage. These trades may be bought and sold as the forward market changes; hence there is a practice of net settlement.

Hedge accounting

The Company applies hedge accounting to foreign exchange contracts relating to payables and receivables denominated in a foreign currency. All unrealised trading positions at the statement of financial position date are recognised at fair value and held on the statement of financial position as a liability or asset with year on year movement taken through other comprehensive income.

2 Accounting policies **(Continued)**

2.14 Taxation

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

Current tax

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

Deferred tax

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

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

2.15 Provisions

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

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

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

2.16 Employee benefits

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

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

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

2 Accounting policies **(Continued)**

2.17 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

The cost of providing benefits under defined benefit plans is determined separately for each plan using the projected unit credit method and is based on actuarial advice.

The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost. The cost of plan introductions, benefit changes, settlements and curtailments are recognised as an expense in measuring profit or loss in the period in which they arise.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in the income statement as other finance income or cost.

Remeasurement changes comprise actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability excluding amounts included in net interest. These are recognised immediately in other comprehensive income in the period in which they occur and are not reclassified to the income statement in subsequent periods.

The net defined benefit pension asset or liability in the statement of financial position comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information, and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

The Company is the principal employer of the scheme. Its share of the underlying assets and liabilities cannot be identified and so the scheme's assets have been recognised in its entirety in the financial statements. The Company's share of costs associated with the scheme are reflected in the income statement which differs to the overall costs of the scheme. This is due to recharges made to inter-company parties for those costs.

2.18 Share-based payments

The Company operates both a cash-settled compensation plan and an equity share-based plan. In respect of the cash-settled plans, 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. The fair value of the employee services received in exchange for these grants of options is recognised as a provision and expensed in the income statement. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each statement of financial position date, the Company revises its estimates and recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to its provision.

Employees can join and leave the scheme on a flexible monthly basis and there is no grant date as it continues to roll forward from one year to the next. The cost associated with the share incentive plan (SIP) is recognised in the income statement.

2 Accounting policies (Continued)

2.19 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 tangible fixed assets, apart from those that meet the definition of investment property.

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 tangible fixed assets. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in: future lease payments arising from a change in an index or rate; the Company's estimate of the amount expected to be payable under a residual value guarantee; or the Company's assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in the income statement 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 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 the income statement on a straight-line basis over the lease term.

2.20 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 the income statement.

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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.

Impairment of assets
The Company's management makes an estimate annually of the recoverable amounts of its assets based on the present value of future cashflows expected to be derived from use of the asset. If the recoverable amount is estimated to be less than its carrying amount, an impairment loss is recognised immediately in the income statement. Further information on how the recoverable amount is calculated is described in the accounting policy note.

Supplementary pension plan
The Company has an obligation to pay benefits to certain former employees and directors of the Company. 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 statement of financial position. See note 22 for further details.

Defined benefit pension 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, asset valuations and the discount rate on corporate bonds. Management uses a third party to estimate these factors in determining the net pension obligation in the statement of financial position. The assumptions reflect historical experiences and current trends. See note 22 for the disclosures of the defined benefit pension scheme.

Decommissioning costs
The estimated cost of decommissioning and plant closure at the end of life of the site is provided for at the statement of financial position date. The decommissioning and plant closure provision is sensitive to changes in estimated useful life, cost estimation and discount rates.

- Costs are comprised of demolition contractors costs, decommissioning costs and project management costs. These costs are reviewed annually with demolition quotes being updated every 5 years. Costs are inflated to the estimated closure date using the forecast Consumer Price Index (CPI) which is calculated by RWE group. The CPI rate used at 31 December 2022 was a range of 3-4% per annum (2021: 2.5%).
- Inflated costs are discounted over the life of the stations which are currently between 3 and 13 years. The discount rate is re-assessed on a quarterly basis by RWE Group and as at 31 December the greater than 4 year rate was 3.75% (2021: 1.00%). The 1-4 year rate was 3.50% (2021: 0.75%).

4 Turnover

	2022 £m	2021 £m
Turnover analysed by class of business		
Power generation	7,857	4,274
Capacity market revenue	67	143
Other	19	16
	7,943	4,433

Turnover has increased significantly by £3.5bn from 2021. The largest driver of this increase is the impact of spot prices leading.

5 Cost of sales: exceptional items

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

	2022 £m	2021 £m
In respect of:		
Tangible fixed assets	24	1
Recognised in:		
Cost of sales: exceptional items	24	1

Reversals of previous impairment losses have been recognised in profit or loss as follows:

	2022 £m	2021 £m
In respect of:		
Property, plant and equipment	312	10
Recognised in:		
Cost of sales: exceptional items	312	10

5 Cost of sales: exceptional items **(Continued)**

The Company recognised write-backs of £312m for the previously impaired stations at Pembroke, Staythorpe, Little Barford and Great Yarmouth. The write-backs were applied exclusively to property, plant and equipment and are justified primarily by the improvement in earnings expectations. The write-backs are offset by an impairment of £24m at King's Lynn power station. The impairment of King's Lynn essentially stemmed from a shorter than expected useful lifespan of the power plant, as a result of the UK government's efforts to decarbonise the energy sector by 2035.

It is possible that the write-backs processed in 2022 in respect of the previously impaired power stations could reverse if there is a fundamental change to the UK power market or a significant decline in power prices after the market turmoil and energy crisis in relation to the war in Ukraine.

In assessing the value, the following significant assumptions were made:

- Post tax (real) discount rate of 7.88% were applied.
- Future cash flows were estimated to the end of the generating assets' useful lives.

Fair values are determined using valuation models based on planned cash flows. Our key planning assumptions relate to the development of wholesale prices of electricity, crude oil, natural gas, coal and CO2 emission allowances, market shares and regulatory framework conditions. Based on the use of internal planning assumptions, the determined fair values are assigned to Level 3 of the fair value hierarchy.

In the prior year, the Company reviewed the carrying amount of its power stations and concluded that its power station at Grimsby was impaired by £1m. In addition a write-back of £10m was recognised for Didcot B power station.

6 Employees

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

	2022 Number	2021 Number
Central functions	107	104
Distributed assets	108	117
Fleet support	263	318
Stations	245	275
Other	67	60
Total	790	874

Their aggregate remuneration comprised:

	2022 £m	2021 £m
Wages and salaries	60	55
Social security costs	7	7
Pension costs	9	9
	76	71

7 Other income/(costs)

	2022 £m	2021 £m
Fair value movement on derivatives	1,517	(1,222)
Capacity Market obligations transferred to third parties	-	2
Land sales	-	4
Other income/(costs)	1,517	(1,216)

8 Auditors' remuneration

	2022 £'000	2021 £'000
Fees payable to the Company's auditors and associates:		
For audit services		
Audit of the financial statements of the Company	572	481
For other services		
Other services	5	-

9 Operating profit/(loss)

	2022 £m	2021 £m
Operating profit/(loss) for the year is stated after charging:		
Depreciation of property, plant and equipment	132	137
Share-based payments	1	1

10 Finance income

	2022 £m	2021 £m
Interest income		
Interest on the net defined benefit asset	1	-
Interest receivable from group companies	18	5
Total interest income	19	5
Income from fixed asset investments		
Income from shares in group undertakings	-	15
Total finance income	19	20

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11 Interest payable and similar expenses

	2022 £m	2021 £m
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	-	1
Interest payable to group undertakings	1	1
	1	2
Other finance costs:		
Unwinding of discount on provisions	1	-
Reclassification of loss on a cash flow hedge to profit or loss	2	3
Total finance costs	4	5

12 Exceptional items

	2022 £m	2021 £m
Impairment of investment in Electra Insurance Limited	-	(19)

In the prior year, the Company's investment in Electra Insurance Limited was impaired in the year as part of the process of selling the entity which completed in January 2022.

13 Directors' remuneration

	2022 £'000	2021 £'000
Remuneration for qualifying services	362	587

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2021 - 1). The aggregate value of employer contributions paid under money purchase schemes in 2022 amount to £0k (2021: £19k).
The number of directors for whom retirement benefits are accruing under defined benefit schemes amounted to 1 (2021 - 1).
The number of directors who are entitled to receive shares under long term incentive schemes during the year was 2 (2021 - 2).

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

	2022 £'000	2021 £'000
Remuneration for qualifying services	184	190
Long term incentive schemes	31	58
Company pension contributions to defined contribution schemes	-	19
*Accrued pension at the end of the year	146	-
*Accrued lump sum at the end of the year	160	-

**These amounts relate to the defined benefit scheme.*

13 Directors' remuneration (Continued)

Two (2021: one) of the directors provided the majority of their services to other RWE Group Companies and therefore they are excluded from all information in the details above. Both directors are paid by other group companies and there is no recharge for their remuneration (2021: no recharge).

14 Tax on profit/(loss)

	2022 £m	2021 £m
Current tax		
UK corporation tax on profits for the current year	133	8
Adjustments in respect of prior periods	3	-
Total UK current tax	136	8
Deferred tax		
Origination and reversal of temporary differences	454	(216)
Changes in tax rates	(73)	(27)
Adjustment in respect of prior periods	(3)	(7)
	378	(250)
Total tax charge/(credit)	514	(242)

The charge/(credit) for the year can be reconciled to the profit/(loss) per the income statement as follows:

	2022 £m	2021 £m
Profit/(loss) before taxation	2,504	(1,113)
Expected tax charge/(credit) based on a corporation tax rate of 19.00% (2021: 19.00%)	476	(211)
Effect of expenses not deductible in determining taxable profit	2	4
Income not taxable	-	(1)
Effect of change in UK corporation tax rate	(73)	(27)
Adjustment in respect of prior periods	-	(7)
Impact of difference between current and deferred tax rates	109	-
Taxation charge/(credit) for the year	514	(242)

14 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:

	2022 £m	2021 £m
Current tax arising on:		
Actuarial differences recognised as other comprehensive income	-	1
Deferred tax arising on:		
Actuarial differences recognised as other comprehensive income	(14)	(24)
	(14)	(23)
Total tax recognised in other comprehensive income	(14)	(23)

On 3 March 2021, the UK Government announced that the main rate of corporation tax would increase from 19% to 25% with effect from 1 April 2023. As this change was substantively enacted on 24 May 2021, any relevant deferred tax balances have been calculated at 25%.

15 Tangible fixed assets

	Freehold buildings £m	Leasehold land and buildings £m	Assets under construction £m	Plant and equipment £m	Total £m
Cost					
At 31 December 2021	216	9	57	2,830	3,112
Additions	-	-	81	13	94
Disposals	-	-	-	(27)	(27)
Transfers	-	-	(15)	15	-
Change in estimate	-	-	-	(6)	(6)
At 31 December 2022	216	9	123	2,825	3,173
Accumulated depreciation and impairment					
At 31 December 2021	137	1	-	1,979	2,117
Charge for the year	6	1	-	125	132
Impairment loss	-	-	-	24	24
Reversal of impairment loss	(16)	-	-	(296)	(312)
Disposals	-	-	-	(27)	(27)
At 31 December 2022	127	2	-	1,805	1,934
Carrying amount					
At 31 December 2022	89	7	123	1,020	1,239
At 31 December 2021	79	8	57	851	995

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

15 Tangible fixed assets (Continued)

All amounts relating to right-of-use assets are disclosed in the leasehold land and buildings column above.

Please refer to note 5 for details of write-backs and impairments.

16 Assets classified as held for sale

	2022 £m	2021 £m
Property, plant and equipment	1	1
Investments in subsidiaries	-	1
Total assets classified as held for sale	1	2

The property, plant and equipment held for sale relates to the land sale of Tilbury and Aberthaw. No gain or loss has been recognised in relation to these balances. The land sales were completed in Q1 2023. See note 36 for further information.

In the prior year, the investment held for sale related to the sale of Electra Insurance Limited, the sale of which was completed in January 2022.

17 Investments

	Current		Non-current	
	2022 £m	2021 £m	2022 £m	2021 £m
Investments held at fair value through other comprehensive income	13	17	-	-
Investments in subsidiaries	-	-	2	2
	13	17	2	2
Classified as part of a disposal group held for sale	-	-	-	1
	13	17	2	3

A fixed and floating charge was created by the Company on 28 August 2003 in favour of The Law Debenture Pension Trust Corporation plc over the Treasury index linked gilts. The market value of these Treasury index linked gilts at 31 December 2022 was £13m (2021: £17m).

17 Investments (Continued)

Movements in fixed asset investments

	Shares in group undertakings £m
Cost or valuation	
At 1 January 2022 & 31 December 2022	2
Carrying amount	
At 31 December 2022	2
At 31 December 2021	2

18 Subsidiaries

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

Details of the Company's subsidiaries at 31 December 2022 are as follows:

Name of undertaking	Registered office	Principal activities	Class of shares held	% Held Direct
RWE Markinch Limited	United Kingdom	Power Generation	Ordinary shares	100.00
RWE Ingen!us Limited	United Kingdom	Holding Company	Ordinary shares	100.00
RWE KL Limited	United Kingdom	Dormant	Ordinary shares	100.00

19 Stocks

	2022 £m	2021 £m
Raw materials and consumables	13	6

20 Derivative financial instruments

	2022 £m	2021 £m
Commodity and financial derivatives	97	3
Cash flow hedges	-	2
Derivative financial assets	97	5
Commodity and financial derivatives	-	(1,366)
Cash flow hedges	-	(3)
Derivative financial liabilities	-	(1,369)

At 31 December 2022, derivative instruments outstanding related to gas swaps, physical gas, power and FX trades. The derivative instruments expire over the period 2023 to 2025.

RWE Generation UK plc mitigates its exposure to commodity price and foreign currency movements through hedging, in line with group policy of RWE AG.

21 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.

	ACAs £m	Retirement benefit obligations £m	Other £m	Total £m
Asset at 1 January 2021	53	(1)	25	77
Deferred tax movements in prior year				
Charge/(credit) to profit or loss	(17)	1	239	223
Charge to other comprehensive income	-	(13)	(1)	(14)
Effect of change in tax rate - profit or loss	12	6	9	27
Effect of change in tax rate - other comprehensive income	-	(10)	-	(10)
Asset at 1 January 2022	48	(17)	272	303
Deferred tax movements in current year				
Charge/(credit) to profit or loss	(87)	-	(366)	(453)
Charge to other comprehensive income	-	(14)	-	(14)
Effect of change in tax rate - profit or loss	-	-	73	73
Liability at 31 December 2022	(39)	(31)	(21)	(91)

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

The other category in the table above primarily relates to deferred tax recognised on the fair value movement of hedging derivatives.

22 Retirement benefit schemes

Defined contribution schemes

The Company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Company in an independently administered fund.

The total costs charged to income in respect of defined contribution plans is £2m (2021: £2m).

Defined benefit scheme

Throughout the whole of 2022, the majority of pensions were funded through the defined benefit scheme within the RWE 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. 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. RWE Generation UK plc was the sponsoring entity for the RWE Group of the ESPS throughout 2022.

Valuation

The scheme was most recently valued on 31 March 2022, which revealed a funding surplus, technical provisions minus value of assets, of £26.6m. Independent actuaries have assessed the IAS 19R position as at 31 December 2022 for the RWE section by updating the last formal calculations using methods appropriate for IAS 19R. As at 31 December 2022, there was a surplus of £119m (2021: a surplus of £67m).

Risks

There are a number of risks associated with operating a defined pension scheme, including exposure to investment and longevity risk. As the vast majority of benefits provided are linked to inflation, this is also a risk. The Trustees of the Scheme have implemented measures to reduce the risks associated with making investments as part of its investment strategy, by making use of liability matching investment techniques. This means investing in instruments such as liability matching bonds, interest rate and inflation swaps and other liability instruments. It is estimated the Group currently hedges around 87% of its interest rate exposure and around 85% of its inflation exposure. In addition, the Trustees conduct regular reviews of concentration in particular investments.

Funding policy

The scheme is in surplus and therefore fully funded. An actuarial valuation is carried out every 3 years. The Company previously made deficit repair payments following the actuarial valuation in 2019.

RWE GENERATION UK PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

22 Retirement benefit schemes **(Continued)**

Other information
The RWE Group of the ESPS is governed by UK pensions legislation. This requires funded defined occupational pension schemes to comply with statutory funding objective to have sufficient and appropriate assets to cover its technical provisions. Valuation of technical provisions must be on prudent assumptions taking into account the demographic characteristics of the scheme membership and market yields on assets held by the scheme and/or government bonds. The Group's rules do not restrict the Company's use of potential future surpluses, i.e. there is no ceiling.

The Group is administered by a body of trustees. Under UK pensions law, the Group Trustees are responsible for the overall management of the pension scheme, including investment of assets, payment of benefit to members and agreement of a funding plan with the Company.

The weighted average duration of the pension obligations was approximately 9 years. In 2023, the Company expects to make £11m payments as direct benefits and contribution to plan assets.

Key assumptions	**2022 %**	**2021 %**
Discount rate	4.9	1.8
Pension growth rate	3.1	3.2
Salary growth rate	3.1	3.2
Rate of increase of pension in payment - Main, 60th and Executive sections	3.0	3.1
Rate of increase of pension in payment - 2005 section	2.1	2.2
Rate of increase of pension in deferment	3.1	3.2

Mortality assumptions	**2022**	**2021**
Assumed life expectations on retirement at age 65:	**Years**	**Years**
Retiring today		
- Males	23	23
- Females	24	24
Retiring in 25 years		
- Males	24	24
- Females	26	26

Amounts recognised in the income statement	**2022 £m**	**2021 £m**
Current service cost	15	18
Net interest on defined benefit assets	(1)	-
Past service cost	1	8
Total costs	15	26

RWE GENERATION UK PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

22 Retirement benefit schemes (Continued)

Amounts recognised in other comprehensive income	**2022 £m**	**2021 £m**
Actuarial changes arising from changes in demographic assumptions	(3)	4
Actuarial changes arising from changes in financial assumptions	(390)	(56)
Actuarial changes arising from experience adjustments	8	4
Actuarial changes related to plan assets	330	(23)
Total (income)/costs	(55)	(71)

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

	2022 £m	**2021 £m**
Present value of defined benefit obligations	1,018	1,469
Fair value of plan assets	(1,137)	(1,536)
Surplus in scheme	(119)	(67)

Movements in the present value of defined benefit obligations	**2022 £m**	**2021 £m**
At 1 January 2022	1,469	1,596
Current service cost	15	18
Past service cost	1	8
Benefits paid	(111)	(128)
Contributions from scheme members	3	3
Actuarial gains and losses	(385)	(48)
Interest cost	25	19
Other	1	1
At 31 December 2022	1,018	1,469

The defined benefit obligations arise from plans funded as follows:	**2022 £m**	**2021 £m**
Wholly or partly funded obligations	1,018	1,469
	1,018	1,469

RWE GENERATION UK PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

22 Retirement benefit schemes (Continued)

Movements in the fair value of plan assets:	2022 £m	2021 £m
At 1 January 2022	1,536	1,597
Interest income	26	19
Return on plan assets (excluding amounts included in net interest)	(330)	23
Benefits paid	(111)	(128)
Contributions by the employer	13	22
Contributions by scheme members	3	3
At 31 December 2022	1,137	1,536

Sensitivity of the defined benefit obligations to changes in assumptions

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

		2022	2021
1% change in discount rate	- increase	-£84m	-£155m
	- decrease	+£103m	+£199m
1% change in pension growth rate	- increase	+£33m	+£80m
	- decrease	-£81m	-£82m
Life expectancy changed by 1 year	- increase	+£18m	+£45m
	- decrease	n/a	n/a
1% change in salary increase rate	- increase	+£22m	+£63m
	- decrease	-£17m	-£47m

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

	2022 £m	2021 £m
Equity instruments	161	162
Government bonds	379	926
Corporate bonds	328	382
Other	269	66
	1,137	1,536

22 Retirement benefit schemes (Continued)

Other long term benefits

Certain former employees of the Company 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 three elements:

The Npower Supplementary Plan (NSP) which comprises of no active members (2021: 0) and 2 (2021: 2) pensioners. This plan is different to the remainder of the SPPs in that its membership will continue to receive payment if the Company is insolvent, as a result of the gilts held to match this liability. The NSP is also in addition to the individual's ESPS defined benefit scheme entitlement.

2 (2021: 2) former directors employed by RWE Generation UK plc 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 97 (2021: 108) non-directors who were employees at the time of the Company's privatisation in 1990.

A provision of £3m (2021: £4m) is in place to cover the ongoing costs of the scheme. Monthly payments are being made by the Company. As these monthly payments are made they will be 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.

23 Trade and other receivables

	2022 £m	2021 £m
Trade debtors	64	71
Other receivables	655	434
Amounts owed by fellow group undertakings	73	11
Loans owed by group undertakings	1,568	856
Prepayments	8	6
	2,368	1,378

24 Trade and other payables

	Due within one year		Due after one year	
	2022 £m	2021 £m	2022 £m	2021 £m
Trade creditors	28	21	-	-
Amounts owed to fellow group undertakings	9	188	-	-
Accruals and deferred income	38	44	-	-
Other creditors	6	31	7	4
	81	284	7	4

RWE GENERATION UK PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

25 Financial instruments

The derivatives financial liabilities and assets include power, gas and carbon futures and forwards as well as FX forwards and power swaps. These derivatives are used to hedge commodity price risk.

Financial assets and liabilities can be broken down into the measurement categories with the following carrying amounts according to IFRS 9 in the year under review.

At 31 December 2022	**Debt instruments measured at amortised cost £m**	**Assets at FVTPL £m**	**Derivatives used for hedging £m**	**Debt instruments measured at FVOCI £m**	**Total £m**
Investments	-	-	-	13	13
Derivative financial instruments	-	97	-	-	97
Trade and other receivables excluding prepayments	2,360	-	-	-	2,360
Cash at bank and in hand	1	-	-	-	1
Total	2,361	97	-	13	2,471

At 31 December 2022	**Liabilities at amortised cost £m**	**Liabilities at FVTPL £m**	**Derivatives used for hedging £m**	**Total £m**
Trade and other payables excluding non-financial liabilities	(43)	-	-	(43)
Total	(43)	-	-	(43)

At 31 December 2021	**Debt instruments measured at amortised cost £m**	**Assets at FVTPL £m**	**Derivatives used for hedging £m**	**Debt instruments measured at FVOCI £m**	**Total £m**
Investments	-	-	-	17	17
Derivative financial instruments	-	3	2	-	5
Trade and other receivables excluding prepayments	1,372	-	-	-	1,372
Cash at bank and in hand	2	-	-	-	2
Total	1,374	3	2	17	1,396

RWE GENERATION UK PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

25 Financial instruments **(Continued)**

At 31 December 2021	Liabilities at amortised cost £m	Liabilities at FVTPL £m	Derivatives used for hedging £m	Total £m
Derivative financial instruments	-	(1,366)	(3)	(1,369)
Trade and other payables excluding non-financial liabilities	(240)	-	-	(240)
Total	(240)	(1,366)	(3)	(1,609)

Valuation methods and assumptions

The following overview presents the main parameters for the measurement of financial instruments recognised at fair value. In accordance with IFRS 13, the individual levels are defined as follows:
Level 1: measurement using (unadjusted) prices of identical financial instruments quoted on active markets;
Level 2: measurement on the basis of input parameters which are not the quoted prices from level 1 but which can be observed directly or indirectly;
Level 3: measurement on the basis of models using input parameters which cannot be observed on the market.

At 31 December 2022	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivative financial liabilities	-	-	-	-
Derivative financial assets	-	97	-	97
Total	-	97	-	97

At 31 December 2021	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivative financial liabilities	-	(1,366)	-	(1,366)
Derivative financial assets	-	3	-	3
Total	-	(1,363)	-	(1,363)

Maturity profile of financial assets/liabilities

At 31 December 2022	Assets at FVPL £m
Due within one year	18
Due in more than one year and less than two years	72
Due in more than two years and less than five years	7
Total	97

RWE GENERATION UK PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

25 Financial instruments **(Continued)**

	Liabilities at fair value through OCI	Liabilities at FVPL
At 31 December 2021	**£m**	**£m**
Due within one year	(3)	(1,158)
Due in more than one year and less than two years	2	(205)
Total	(1)	(1,363)

Financial risk management

Foreign currency risk

All of the Company's trading activities are located in the United Kingdom. The majority of the Company's transactions are denominated in sterling and do not give rise to foreign currency exposure. The Company has contracts in place for the ongoing maintenance and outage realted costs at its Combined Cycle Gas Turbine (CCGT) fleet of power stations which involve non-sterling payments. Forward foreign currency contracts are used to hedge these exposures.

Price risk

Market price risk is the risk that changes in commodity prices will affect the Company's profits. It is RWE AG Group policy that commodity price risks should be managed by RWEST to the extent that the market is sufficiently liquid. The principles for the transfer of market price risk to RWEST are controlled by the risk policies issued by RWE AG.

Credit risk

The majority of commodity contracts entered into are with RWEST, a subsidiary of RWE AG. RWE AG has an investment grade credit rating with major rating agencies and is the ultimate controlling company for both RWEST and the Company. Due to the nature of the relationship between RWEST and RWE Generation UK plc, the exposure to credit risk is considered immaterial.

Other contracts are with other RWE AG group entities and therefore the level of credit risk is considered immaterial.

Provision for impairment on trade receivables has been recognised of £244k (2021: £14k).

Liquidity risk

A maturity analysis of financial liabilities relating to the commodity and financial derivatives is included within this note. Settlement of the contracts entered into with respective parties is settled on a monthly basis through the payment of cash amounts or reduction in intercompany debts.

Generally, cash flow risk is mitigated by the use of forward derivatives for the sale of power and also the purchase of fuel.

25 Financial instruments **(Continued)**

Gross value of assets and liabilities

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off	Net amounts of financial assets
At 31 December 2022	**£m**	**£m**	**£m**
Derivative financial assets	(13,358)	13,455	97
	(13,358)	13,455	97

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off	Net amounts of financial (liabilities)/assets
At 31 December 2021	**£m**	**£m**	**£m**
Derivative financial liabilities	(23,668)	22,302	(1,366)
Derivative financial assets	(4)	7	3
	(23,672)	22,309	(1,363)

26 Lease liabilities

	2022	2021
Maturity analysis	**£m**	**£m**
Within one year	1	1
In two to five years	4	4
In over five years	6	6
Total undiscounted liabilities	11	11
Future finance charges and other adjustments	(3)	(3)
Lease liabilities in the financial statements	8	8

26 Lease liabilities (Continued)

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:

	2022 £m	2021 £m
Current liabilities	1	1
Non-current liabilities	7	7
	8	8

27 Other provisions

	2022 £m	2021 £m
Decomm. and plant closure	90	97
Carbon emission allowances	857	454
Restructuring and other	6	10
Supplementary pension plan	3	4
	956	565

Movements on provisions:	Decomm. and plant closure £m	Carbon emission allowances £m	Restructuring and other £m	Supplementary pension plan £m	Total £m
At 1 January 2022	97	454	10	4	565
Additional provisions in the year	12	1,055	3	-	1,070
Reversal of provision	(1)	(3)	(3)	(1)	(8)
Utilisation of provision	(5)	(649)	(4)	-	(658)
Adjustment for change in discount rate	(13)	-	-	-	(13)
At 31 December 2022	90	857	6	3	956

Decommissioning and plant closure
Provisions for decommissioning and plant closure are in relation to the expected site costs of closed plants consisting of decommissioning and demolition costs. The provisions will be utilised over the period of closure, estimated to be within 1 to 19 years. The provisions used in the year relate primarily to the closure of Aberthaw and Seal Sands. Additional provisions were made in the year, relating primarily to Staythorpe,Pembroke and Kings Lynn offset by significant adjustments due to changes in interest rates.

Carbon emission allowances
The provision for carbon emission allowances reflects the costs of carbon emissions generated during the financial year. The provision also includes the Company's liability in respect of carbon taxes. Following the UK formally leaving the European Union in January 2020, the new British trading system for carbon emission allowances entered into force in early 2021. These are known as UK Allowances (UKA's). The provision is expected to be utilised in the following year.

RWE GENERATION UK PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

27 Other provisions **(Continued)**

Restructuring and other
Provisions for the share based payment schemes are included within restructuring and other in addition to ongoing restructuring costs such as employee termination costs, including relating to closed sites. The provision is expected to be utilised in the next 1-3 years.

Supplementary pension plan
Further details of the supplementary pension plan can be found in note 22.

28 Share capital

	2022 Number	2021 Number	2022 £m	2021 £m
Ordinary share capital				
Authorised				
Ordinary shares of £1 each	50,000	50,000	-	-
Issued and fully paid				
Ordinary shares of £1 each	50,000	50,000	-	-

29 Revaluation reserve

	2022 £m	2021 £m
At the beginning of the year	11	11
Fair value adjustment - investments	(4)	-
At the end of the year	7	11

30 Hedging reserve

	2022 £m	2021 £m
At the beginning of the year	(2)	-
Gains and losses on cash flow hedges	3	(2)
At the end of the year	1	(2)

31 Share-based payment transactions

During the year there were two share-based payment schemes in existence:

- Strategic Performance Plan (SPP)
- Share Incentive Plan (SIP)

SPP

	2019 tranche	2020 tranche	2021 tranche	2022 tranche
Grant date	01/01/2019	01/01/2020	01/01/2021	01/01/2022
Number of conditionally granted performance shares	84,191	36,917	26,441	26,441
Term	4 years	4 years	4 years	4 years
Fair value per share (EUR)	€19.10	€26.41	€34.07	€34.51
Form of settlement	Cash settled	Cash settled	Cash settled	Cash settled
Payment date	2022	2023	2024	2025

Grant of performance shares

For the tranches 2020 to 2022, 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 (considering all available decimal places) of RWE AG (ISIN: DE0007037129) as quoted on the XETRA trading system of Deutsche Börse AG (or any successor system replacing the XETRA trading system) over the last 30 Trading Days prior to January 1 of the respective Grant Year. For the tranche 2019, in contrast, the arithmetic mean over the first ten Trading Days following the Date of the IPO (October 7 to October 20) is used.

Key performance criterion

The key performance criterion used to determine the final number of performance shares is the Adjusted Net Income ("ANI") of RWE AG. 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) Income from securities sales

The periodical external publications (annual report, quarterly reports) cover such aspects.

The Executive Board of RWE AG once sets ANI target values ("ANI target value") for the fiscal years 2020 to 2022 prior to January 1, 2020. If the ANI target value set for the respective grant year is achieved, 100% of the conditionally granted performance shares of this tranche are finally allocated. For the tranche 2019, in contrast, the ANI of the fiscal year 2019 is used for the target setting and the assessment of the conditionally granted performance shares.

If the ANI target value set by the Executive Board for the fiscal years 2020 to 2022 is missed by exactly €400m ("ANI threshold") at the end of the respective fiscal year, 50% of the conditionally granted performance shares are finally allocated. If the ANI threshold is missed, all conditionally granted performance shares of this tranche lapse. If the ANI target value is exceeded by €400m or more ("ANI maximum value"), the maximum number of 150% of the conditionally granted performance shares are finally allocated. Between the ANI threshold and the ANI target value as well as between the ANI target value and the ANI maximum value linear interpolation is used to determine the number of finally allocated performance shares. The determined number is commercially rounded up to complete shares.

RWE GENERATION UK PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

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

Pay-out of performance shares

The pay-out amount is calculated using the number of finally allocated performance shares multiplied with the sum of:

a) the arithmetic mean (considering all available decimal places) of the closing prices of RWE AG common share (ISIN: DE0007037129) as quoted on XETRA trading system of Deutsche Börse AG (or any successor system replacing the XETRA trading system) over the last 30 trading days prior to the end of the vesting period, commercially rounded to two decimal places, and

b) dividends paid per share in the fiscal years between the final allocation of performance shares and the end of the vesting period. Dividends are not reinvested or eligible to any interest payments. If a dividend payment occurs within the 30 trading days prior to the end of the vesting period, share prices of the trading days before the payment (cum-prices) are adjusted for the dividend payment in order to avoid proportionate double counting of the dividends.

Pay-out amount = (number of finally allocated performance shares) x (arithmetic mean of closing prices + paid dividends)

The pay-out amount shall be limited to twice the target amount.

The plan participant is informed of the pay-out amount via a pay-out letter.

If the financial statements of the subsidiary employing the plan participant are kept in a currency other than the euro, the payment shall be made in said currency. The pay-out amount shall be converted 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.

Changes in control

A change of control ("Change of Control") shall be deemed to have taken place if:

a) shareholder has taken control pursuant to § 29 of the German Wertpapiererwerbs-und Übernahmegesetz (WpÜG, German Securities Acquisition and Takeover Act) by holding at least 30% of the voting rights including the attributed voting rights of third parties pursuant to § 30 of the WpÜG or

b) a controlling agreement (Beherrschungsvertrag) with RWE AG is entered into and has taken effect with RWE AG as dependent company pursuant to § 291 of the German Aktiengesetz (AktG, German Stock Corporation Act) or

c) RWE AG is merged with a legal entity which is not part of RWE AG group pursuant to § 2 of the German Umwandlungsgesetz (UmwG, German Transformation Act), unless the value of the external legal entity amounts to less than 50% of the Company value according to the agreed upon conversion ratio. Under these circumstances, lit. a) is not applicable.

In the event of a Change of Control all performance shares which have been finally allocated and have not yet been paid out, are paid out prematurely. The pay-out amount is calculated as described above. However, the arithmetic mean is calculated over the last 30 trading days preceding the announcement of the Change of Control plus the paid dividends per share in the respective fiscal years - referring to the finally allocated number of performance shares - between the final allocation of the performance shares and the Change of Control. The accordingly calculated pay-out amount will be paid out to the plan participant with the next possible payroll.

31 Share-based payment transactions (Continued)

All performance shares which have not been finally allocated at the time of the Change of Control will lapse without replacement and compensation.

Share incentive plan

The Company offered a new Share Incentive Plan ("SIP") to all employees from January 2018. The newly introduced SIP scheme replaces the previously offered annual Share Save schemes. Unlike those previous schemes, employees can join and leave the scheme on a flexible monthly basis and there is no grant date as it continues to roll forward from one year to the next.

The scheme operates by allowing members to obtain one free share called a "matching share" for every 3 shares they buy, these are referred to as "partnership shares". Matching shares and partnership shares are worth the same and refer to the RWE AG share price.

The investment contribution per employee was limited to between £10 and £80 per month. However, from November 2022 the upper limit of £80 was increased to £150 to bring in to line with RWEG DE. On a monthly basis, the scheme administrator uses the money invested to buy RWE AG shares. One free share is awarded to the employee for every three shares bought and any cash left over carries forward to the following month.

Liabilities and expenses

Liabilities arising in relation to cash settled share based payment transactions during the year was £3m (2021: £4m).

Total expenses of £1m related to cash settled share based payment transactions were recognised in the year (2021: £1m).

32 Dividends

Amounts recognised as distributions:	2022 per share £m	2021 per share £m	2022 Total £m	2021 Total £m
Ordinary shares				
Interim dividend paid	-	120.00	-	6

33 Capital commitments

	2022 £m	2021 £m
At 31 December 2022 the Company had capital commitments as follows:		
Contracted for but not provided in the financial statements:		
Acquisition of tangible fixed assets	101	92
Maintenance contract commitments	6	45
	107	137

Capital commitments for the prior year are restated following an adjustment to the category split of fixed assets/maintenance.

34 Legal proceedings against the Company

Didcot A investigation

The 23rd February this year marked the seventh anniversary since the tragic incident at Didcot A Power Station. The unpredicted catastrophic collapse which happened during the process of demolition of the boiler houses by specialist demolition contractors, tragically led to the death of 4 people.

Thames Valley Police and HSE continue with their investigations into the incident. Currently Thames Valley Police have primacy of the investigation as the Crown Prosecution Service has not yet ruled out Corporate Manslaughter or Gross Negligence Manslaughter in addition to other possible Health & Safety Law breaches. In February on the anniversary, we had an update from Thames Valley Police to say there were no further developments to report other than there was a vast amount of evidence and witness statements to deal with and that the investigation would continue to be led by a team of accredited homicide detectives. TVP gave reassurance that they were doing everything in their power to complete the investigation.

As a result TVP do not anticipate any significant activity in the immediate future. RWE is therefore unable to speculate when the investigation is likely to conclude or the direction of travel as there has been a lack of substantive information given by the authorities. RWE will continue to seek updates from Thames Valley Policy continues to co-operate with both Thames Valley Police and the HSE. RWE will also continue to offer ongoing support to any employees who have been affected by the incident.

For context on the legal proceedings, RWE together with its contractors, are considered parties under investigation by the authorities and is aware that the incident and fatalities will involve legal proceedings whereby its business may be subject to both criminal and civil litigation proceedings.

In the meantime, RWE is currently seeking indemnification by its insurers for an element of its legal costs incurred to date. Although originally the claim was being challenged by the 2 main insurers, the project policy insurers have now indicated they are considering a certain level of indemnification, albeit quantification of the sum has not been agreed as the insurers have asked for more information which RWE is responding to.

Due consideration has been given to legal and insurance advice received and will be continuously monitored against RWE's insurance arrangements and where relevant reflected in RWE's provisions in its financial statement.

At this stage of the investigation, the directors are of the opinion that it is unlikely that the investigation will, in aggregate, have a material impact on RWE's financial results, operations or liquidity.

35 *Controlling party*

The Company's immediate parent is RWE Generation UK Holdings Limited.

The ultimate parent is RWE AG, a company incorporated in Germany.

The most senior parent entity producing publicly available financial statements is RWE AG. This is the smallest and largest group to consolidate these financial statements.

These financial statements are available upon request from RWE AG, RWE Platz 1, 45141 Essen, Germany. They can be accessed at www.rwe.com.

The ultimate controlling party is RWE AG.

36 Events after the reporting date

In Q1 2023, the Company completed land sales at its former power generating sites at Tilbury and Aberthaw for £45m and £8m respectively.

The land sales resulted in a gain of £42m for Tilbury and £7m for Aberthaw. These events after the reporting period are non-adjusting for 2022 and therefore will be reflected in the 2023 financial statements.