Company Registration No. 06574689 (England and Wales)

RWE MARKINCH LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

RWE MARKINCH LIMITED

COMPANY INFORMATION

Directors	Mrs H Mallett Mr M Suleman Ms K Schmelter	 (Appointed 1 April 2021)
Company secretary	Mr J Keene	
Company number	06574689	
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 MARKINCH LIMITED

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RWE MARKINCH LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

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

Review of the business and future developments
The Company reports a loss before tax for the financial year of £88.3m compared to a loss before tax of £8.3m in 2020. Net assets decreased to £10.0m (2020: £76.0m). During the year, the Company paid a dividend of £nil (2020: £17.9m).

The £80.0m movement in the year-on-year loss before tax is explained below:

- £76.9m increase in other expenses which relates to the movement in the unrealised valuation of derivatives.
- £4.0m impairment following management's assessment of the future cashflows of the station.
- £0.9m decrease in turnover net of fuel costs. Lower generation volumes year on year were a result of reliability issues.
- £1.1m increase in overhaul and maintenance costs
- £0.3m increase in exceptional costs relating to the write-off of investment in Glenrothes Paper Limited.

	2021	2020
	£	£
Loss before tax	(88,293,509)	(8,339,010)
Net assets	9,961,154	76,005,337
Total assets less current liabilities	190,619,074	259,697,931

2021 saw the Company's first planned major steam turbine outage. This planned 54 day outage is carried out on a six yearly cycle and requires removal and refurbishment of the steam turbine. The planned works scheduled was due to run from mid-August to early October, however a number of emergent plant issues became apparent and significant additional works were required. The plant was out of service for a total of 82 days.

Unfortunately during the last quarter of the year following the Company's return to service, output was restricted at times due to a fault on the fuel reclaim system taking one of the three on site fuel silos out of action. The exceptionally high market prices observed in the last quarter adversely affected the business due to the requirement to buy back previously sold volume.

Going forward to maximise the plant reliability and performance, an operational excellence project has been initiated to analyse where best to focus to improve reliability and maximise output.

The Company has extended a key fuel supply agreement by an additional 4 years and negotiated a follow on 4 year option providing longer term fuel security for c.60% of recovered waste wood supplies. The fuel supply options have been diversified by extending continental supply routes with a long term import licence for German recovered waste wood. A French licence will be completed in 2022.

Expanding the range of biomass products continues with planning approval received for the storage of Solid Recovered Fuel (SRF) and Anaerobic Digestate Fibre (ADF). Approval for SRF consumption at scale is in progress.

To further address pressures in the waste wood market the Company has commissioned additional storage capacity on a long term lease. The newly commissioned site allowed the stocking out of fuel to meet minimum 2021 contract volumes during the extended outage period. The Company now has healthy stocks available for 2022.

RWE MARKINCH LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

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

Principal risks and uncertainties
The energy sector is particularly dynamic, with changes in the regulatory, environmental and commercial situation having significant effects on the profitability of the Markinch Biomass power station and influencing the direction of the business and future strategy. Such changes in these areas means 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 monitor and manage 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 RWE Supply and Trading GmbH (RWEST) on behalf of the Company are overseen by the RWE AG board.

The management of the business and the 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 70 through 79 of the RWE AG 2021 Annual Report.

RWE MARKINCH LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Section 172 statement
The Directors take their duties and responsibilities seriously when managing the Company.

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 was 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 to the health, safety and workplace environment, the Directors factor the implications of decisions on employees and the wider workforce, where relevant. The Directors also recognise that the Company's pensioners, though no longer employees, also remain important stakeholders.

The Directors agree that employee engagement is an important measure. As part of a wider Group survey, shared with all employees, an employee engagement process helps measure motivation, affiliation and commitment to RWE. It provides insights into employee views 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, nongovernmental 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 plan.

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 policy and plans adopted 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 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 MARKINCH LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

During 2021, Board discussions and decisions included the following:

	Stakeholders engaged on this topic
Strategic planning, risk and performance Restructuring Dividend Financial performance reviews and Business plan 2022-2024	Shareholder and ultimate parent Government and regulators Our people
Operational, investment, divestment Station upgrades and repairs Fuel storage	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 Pensions valuation and Master Trust	Shareholder and ultimate parent Communities Suppliers Our people
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	Shareholder and ultimate parent Communities and NGOs Government and regulators Our people
Governance and Compliance Delegations of Authority and Board Reserved Matters Cyber security Compliance update, audit and training Formal board and Directorate changes Tax strategy and corporate criminal offences strategy	Shareholder and ultimate parent Our people

On behalf of the board

DocuSigned by:

H Mallett

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Mrs H Mallett

Director

Date: 01/08/2022

RWE MARKINCH LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

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

Principal activities

The principal activity of the Company continued to be that of the operation of a biomass combined heat and power (CHP) generation plant at Markinch, Fife in Scotland.

Results and dividends

The results for the year are set out on page 16.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend for the year ending 31 December 2021.

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	
Mr S Glover	(Resigned 31 March 2021)
Mr M Suleman	
Ms K Schmelter	(Appointed 1 April 2021)

Qualifying third party indemnity provisions

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

Financial instruments

Capital management

The Company's objectives, policies and processes for managing capital are consistent with those of the RWE AG Group. Detailed discussions of these, in the context of the RWE AG Group as a whole, are provided on pages 107 to 108 of the RWE AG 2021 Annual Report.

Commodity price risk

Market risk is the risk that changes in commodity price 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.

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 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.

Employees

The success of our business depends on the ability, commitment and dedication of our employees and we thank them for their continued efforts this year in the challenging business environment that we find ourselves in. 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.

The ongoing changes within the Company mean that effective communications with staff are 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.

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 2021 RWE AG Corporate Responsibility Report available at www.rwe.com.

Future developments

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

Auditors

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

RWE MARKINCH LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Energy and carbon report

Introduction

2021 is the second year for which RWE Markinch Limited has been required to comply with the Streamlined Energy and Carbon Reporting (SECR) reporting requirements. In line with the RWE Group objectives, RWE Markinch Limited will use 2019 as the base year for the monitoring of GHG emissions.

UK energy use

The energy used as a result of the Company's activities during 2021 is summarised and compared with that for 2019 in Table 1 below. The energy data includes all energy used in the operation of the Markinch CHP biomass plant, site vehicles and the associated business travel.

For the majority of the 2021, electricity generation returned to a similar level to that of 2019. However, as a planned major outage to overhaul the steam turbine was completed in 2021, the plant was shut down from mid-August to mid-November. Consequently during 2021 electricity generation from the plant reduced by 18.2% compared to the 2019 base year (350,788 MWh compared to 429,019 MWh). As illustrated in Table 1 below, the 2021 decrease in electricity generation resulted in a corresponding decrease in fuel consumption used for power and heat generation, 23% compared with 2019.

As the planned major outage of 2021 was significant there was an increase in imported works power 57% compared to 2019.

During 2021, the Company continued to maximise use of technology for virtual meetings and hybrid working. This reduced energy consumption for business travel compared to 2019 (84%).

Table 1, Energy consumption

Total Energy Consumption (MWh)	2021	2019	2021 Change from 2019
Energy Consumption in Fuels used for Power & Heat Generation	1,033,413	1,345,152	-23%
Imported Works Power	2,589	1,654	57%
Energy Consumption - business travel (car hire, HR mileage)	6	*38	-84%
Total Energy Consumption	**1,036,008**	**1,346,844**	-23%

**2019 Energy consumption-business travel data has been revised following the revision of mileage data from HR source in March 2022.*

Greenhouse Gas Emissions
Greenhouse gas emissions are grouped into three scopes:

Scope 1 – Direct GHG emissions from controlled or owned sources.
Scope 2 – Energy indirect emissions from the consumption of purchased electricity.
Scope 3 – Other indirect emissions as a consequence of our actions. including emissions associated with car hire, HR mileage business travel.

Due to the reduced generation (and therefore fuel use), the Scope 1 GHG emissions for the business reduced by 28.6% in 2021 compared with 2019 (20.944 tCO2e compared to 29.321 tCO2e).

For 2021, as a result of the outage there was a 30% increase in Scope 2 emissions due to a 57% increase in imported works power compared to 2019 base year. As referred to previously earlier, business travel also reduced during 2021, leading to a fall in Scope 3 GHG emissions. The greenhouse gas emissions associated with the above energy consumption are summarised in Table 2, below.

Table 2, Greenhouse gas emissions

GHG Emissions (t CO2e) (unless otherwise stated)	2021	2019	2021 Change from 2019
EU Emissions Trading System Emissions (fossil fuel)	7,829	10,427	(24.9)%
Total Scope 1 Emissions	20,944	29,321	(28.6)%
Total Scope 2 Emissions	550	423	30.0%
Total Scope 3 Emissions	1	*9	(88.9)%
Biomass Emissions (CO2)	363,083	476,865	(23.9)%
Biomass N2O and CH4 Emissions (t CO2e)	11,654	15,745	(26.0)%
N2O and CH4 Emissions from other fuels (t CO2e)	1,460	3,149	(53.6)%
Total Scope 1,2 & 3 Emissions (including N2O and CH4 Emissions from Biomass)	**33,149**	**45,498**	**(27.1)%**

**2019 Total Scope 3 Emissions has been revised following the revision of mileage data from HR source received in March 2022.*

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 Markinch CHP biomass plant, during 2021 the carbon intensity from the combustion of EU ETS fossil fuels was 0.022 tCO2e/MWh compared with 0.024 tCO2e/MWh in 2019. The proportion of fuel energy from biomass was 97.5% in 2021 compared to 97.6% in 2019.

Energy Efficiency Action
Energy efficiency is central to the operation of the power plant. The Markinch CHP biomass plant team, supported by the wider RWE Group companies, are continually striving to improve the performance of the plant. The scope for improvement is limited as the process was optimised at the station's design stage to include variable speed drives on key motors and sensor controlled lighting.

Since the successful completion of the Energy Centre on the site in 2019, the plant has continued to deliver an increasing quantity of low carbon heat to local buildings. For 2021 there was a 70% increase compared to 2019 (4,078MWh compared to 2,400MWh).

Methodologies Used in Calculations and Disclosure
All fuel consumption and CO2 emissions data for Markinch CHP biomass plant are externally verified as required for compliance with the UK Emissions Trading System (UK ETS).

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 MARKINCH LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Estimated data and assumptions

The vast majority of the Company's energy consumption and GHG emissions data are externally verified for the Markinch CHP biomass plant's UK ETS compliance (see table 3 below). 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 is the activity of site vehicles. However, as can clearly be recognised from the figures below, the quantity of estimated data is not material.

Table 3, Data quality

Data Quality	2021	2019
Energy consumption		
Externally verified data	99.75%	99.87%
Total estimated data	0.0004%	0.005%
Fossil Fuel Emissions (tCO2e)		
Externally verified data	96.45%	96.18%
Total estimated data	0.0049%	0.005%

Statement of directors' responsibilities in respect of the financial statements

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

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

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

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

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

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

RWE MARKINCH LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and

- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board

DocuSigned by:

H Mallett

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Mrs H Mallett
Director

Date: 01/08/2022

RWE MARKINCH LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF RWE MARKINCH LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, RWE Markinch Limited 's financial statements:

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

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

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

RWE MARKINCH LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF RWE MARKINCH LIMITED

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

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

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

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

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

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

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

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

RWE MARKINCH LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF RWE MARKINCH LIMITED

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to 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 legislation 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 manipulation 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 the 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 statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations; and
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, testing accounting estimates (because of the risk of management bias), and evaluating the business rationale of significant transactions outside the normal course of business.

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

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

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

KE Finn

Katharine Finn (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
1 August 2022

RWE MARKINCH LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	2020* £
Turnover	**4**	68,408,559	47,646,041
Cost of sales: excluding exceptional items		(47,170,619)	(46,067,915)
Cost of sales: exceptional items	**5**	(4,000,000)	-
Gross profit		17,237,940	1,578,126
Administrative expenses		(2,351,032)	(2,357,877)
Other expense	**6**	(98,589,013)	(2,690,493)
Operating loss	**7**	(83,702,105)	(3,470,244)
Finance income	**9**	9,716	45,741
Interest payable and similar expenses	**10**	(4,770,987)	(4,828,701)
Exceptional items	**11**	169,867	(85,806)
Finance costs - net		(4,591,404)	(4,868,766)
Loss before taxation		(88,293,509)	(8,339,010)
Tax on loss	**12**	22,249,326	2,281,070
Loss and total comprehensive expense for the financial year		(66,044,183)	(6,057,940)

*Refer to note 3 for details of the restatement

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations.

RWE MARKINCH LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	2021 £	2020* £
Fixed assets			
Tangible fixed assets	13	167,015,948	184,533,873
		167,015,948	184,533,873
Current assets			
Stocks	14	4,632,074	3,417,041
Derivative financial instruments	18	-	2,285,552
Trade and other receivables	15	85,572,084	73,241,036
Deferred tax asset: realisable after more than one year	16	25,510,335	8,186,150
Cash at bank and in hand		-	85,132
		115,714,493	87,214,911
Creditors: amounts falling due within one year			
Trade and other payables	17	12,953,203	10,536,130
Taxation and social security		26,063	23,851
Derivative financial instruments	18	79,062,214	4,422,712
Lease liabilities	19	69,887	68,160
		92,111,367	15,050,853
Net current assets		23,603,126	72,164,058
Total assets less current liabilities		190,619,074	256,697,931
Creditors: amounts falling due after more than one year			
Loans and overdrafts	20	171,556,326	171,556,326
Lease liabilities	19	912,401	973,912
		172,468,727	172,530,238
Provisions for liabilities			
Other provisions	21	8,189,193	8,162,356
Net assets		9,961,154	76,005,337
Capital and reserves			
Called up share capital	22	2	2
Profit and loss reserves		9,961,152	76,005,335
Total equity		9,961,154	76,005,337

*Refer to note 3 for details of the restatement

RWE MARKINCH LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2021

The financial statements on pages 16 to 44 were approved by the board of directors and authorised for issue on ...01/08/2022.. and are signed on its behalf by:

DocuSigned by:
H Mallett
A924F2CF99854EE...

....
Mrs H Mallett
Director

Company Registration No. 06574689

RWE MARKINCH LIMITED

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

	Notes	Share capital £	Profit and loss reserves £	Total £
As restated for the period ended 31 December 2020:				
Balance at 1 January 2020		2	99,963,275	99,963,277
Year ended 31 December 2020:				
Loss and total comprehensive expense for the year		-	(6,057,940)	(6,057,940)
Dividends	23	-	(17,900,000)	(17,900,000)
Balance at 31 December 2020 (as restated)		2	76,005,335	76,005,337
Year ended 31 December 2021:				
Loss and total comprehensive expense for the year		-	(66,044,183)	(66,044,183)
Balance at 31 December 2021		2	9,961,152	9,961,154

1 Accounting policies

Company information

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

1.1 Accounting convention

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

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

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 £.

The financial statements have been prepared under the historical cost convention, except for the revaluation of financial assets and financial liabilities held at fair value, in accordance with the Companies Act 2006. The principal accounting policies adopted are set out below.

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

- 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, impairment of assets, business combinations, discontinued operations and related party transactions.

1.2 Going concern

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

1 Accounting policies **(Continued)**

1.3 Turnover

Turnover comprises the fair value of the consideration received or receivable in respect of the invoiced and accrued value of generated electricity and Renewables Obligation Certificates. Turnover is shown net of value added tax, returns, rebates and discounts. Generated electricity is sold through RWEST onwards to the market, adjusted for physically-settled derivatives.

The Company recognises turnover when it can be reliably measured and it is probable that future economic benefits will flow to the entity.

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
- Renewables Obligation Certificates

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

Power generation

The majority of electricity is sold via the Grid Trade Master Agreement. Power generation 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.

Renewables Obligation Certificates

Renewables Obligation Certificates granted to the Company 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. As the Company does not have any Renewables Obligation, there are contracts for the sale of these assets to other companies at the end of the compliance period.

1.4 Intangible assets other than goodwill

Intangible assets are stated at original cost less accumulated amortisation and any accumulated impairment losses.

RWE MARKINCH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies **(Continued)**

1.5 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 decommissioning assets, the cost is the present value of the expected future cash flows that will be required to perform the decommissioning. 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 is charged so as to write off the cost of assets, other than freehold land and assets under construction which are not depreciated, over their estimated useful lives, as follows:

Freehold land and buildings	20 years
Leasehold land and buildings	Period of lease term
Plant and equipment	3-20 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 Statement of Comprehensive Income.

1.6 Impairment of tangible and intangible assets

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

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 Statement of Comprehensive Income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

1 Accounting policies **(Continued)**

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 Statement of Comprehensive Income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis.

The cost of raw materials and consumables comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stock to their present location and condition. At each reporting date, stock is 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 Statement of Comprehensive Income.

1.8 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.

1.9 Financial assets

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

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

Financial assets 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 Statement of Comprehensive Income when incurred. A gain or loss on a financial asset measured at fair value through profit or loss is recognised in the Statement of Comprehensive Income and is included within finance income or finance costs in the Statement of Comprehensive Income for the reporting period in which it arises.

Financial assets held at amortised cost

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

1 Accounting policies **(Continued)**

Impairment of financial assets

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

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

Derecognition of financial assets

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

1.10 Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

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

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

Other financial liabilities

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

Derecognition of financial liabilities

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

1.11 Equity instruments

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

1 Accounting policies **(Continued)**

1.12 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 Statement of Comprehensive Income. Gains are recognised within other income and losses within other costs. Physically-settled derivatives that fail the own-use test are recognised through revenue or cost of sales in the Statement of Comprehensive Income.

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.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in the Statement of Comprehensive Income immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the Statement of Comprehensive Income depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability. Other derivatives are classified as current.

1.13 Taxation

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

Current tax

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

RWE MARKINCH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies **(Continued)**

Deferred tax

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

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

1.14 Provisions

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

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

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

1.15 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 stocks 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.

1 Accounting policies **(Continued)**

1.16 Retirement benefits

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

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

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

Certain employees participate in a multi-employer defined benefit pension scheme, the Electricity Supply Pension Scheme, an industry-wide scheme. In the judgement of the directors, the Company does not have sufficient information on the plan assets and liabilities to be able to reliably account for its share of the defined benefit obligation and plan assets. Therefore the scheme is accounted for as a defined contribution scheme, see note 26 for further details.

1.17 Leases

At inception, the Company assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the Company recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are included within 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 Statement of Comprehensive Income if the carrying amount of the right-of-use asset has been reduced to zero.

1 Accounting policies (Continued)

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases 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 Statement of Comprehensive Income on a straight-line basis over the lease term.

1.18 Foreign exchange

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

2 Critical accounting estimates and judgements

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

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

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

Impairment of assets

The Company's management makes an estimate annually of the recoverable amounts of its assets based on the present value of future cash flows 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 Statement of Comprehensive Income.

Further information on how the recoverable amount is calculated is described in the accounting policy on page 22.

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 as at 31 December 2021 was 2.5% per annum (2020: 2.00%).
- Inflated costs are discounted over the life of the stations which are currently between 6 and 16 years. The discount rate is re-assessed on a quarterly basis by RWE Group and as at 31 December 2021 the greater than 4 year rate was 1.00% (2020: 0.25%). The 1-4 year rate was 0.75% (2020: 0.00%).

RWE MARKINCH LIMITED

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

3 Prior period adjustment

The prior year statement of comprehensive income and statement of financial position is restated to include additional derivatives which were incorrectly excluded in the prior period.

Please refer to notes 3, 12, 16 & 18.

Changes to the statement of financial position

	At 31 December 2020		
	Previously reported	**Adjustment**	**As restated**
	£	**£**	**£**
Deferred tax asset - realisable after more than one year	7,416,601	769,549	8,186,150
Derivative financial instrument assets	1,913,095	372,457	2,285,552
Derivative financial instrument liabilities	-	(4,422,712)	(4,422,712)
Net current assets	75,444,764	(3,280,706)	72,164,058
Total assets less current liabilities	259,978,637	(3,280,706)	256,697,931
Net assets	79,286,043	(3,280,706)	76,005,337
Capital and reserves			
Profit and loss reserves	79,286,041	(3,280,706)	76,005,335
Total equity	79,286,043	(3,280,706)	76,005,337

Changes to the income statement

	Period ended 31 December 2020		
	Previously reported	**Adjustment**	**As restated**
	£	**£**	**£**
Other operating income / (expense)	1,359,762	(4,050,255)	(2,690,493)
Loss before taxation	(4,288,755)	(4,050,255)	(8,339,010)
Taxation	1,511,521	769,549	2,281,070
Loss after taxation	(2,777,234)	(3,280,706)	(6,057,940)

RWE MARKINCH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

4 Turnover

	2021	2020
	£	£
Turnover analysed by class of business		
Power Generation	31,856,270	14,084,258
Renewables Obligation Certificates	36,552,289	33,561,783
	68,408,559	47,646,041

Revenue has increased from 2020. The driver of this increase is the impact of higher spot prices leading to £21.7m additional revenue being recognised. For further details see the Strategic Report on page 1.

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:

	2021	2020
	£	£
In respect of:		
Property, plant and equipment	4,000,000	-
Recognised in:		
Cost of sales	4,000,000	-

In the current year, the Company reviewed the carrying amount of its CHP biomass plant and concluded that it was to be impaired. An impairment of £4m has been recognised. In assessing the value, the following significant assumptions were made:

- Post tax (real) discount rate of 6.5% were applied.
- Future cash flows were estimated to the end of the generating assets' useful live.

6 Other expense

The analysis of the Company's other expense for the year is as follows:

	2021	2020 (as restated)
	£	£
Movement in unrealised valuation of financial derivatives	(98,584,328)	(2,689,307)
Foreign exchange losses	(4,685)	(1,186)
	(98,589,013)	(2,690,493)

7 Operating loss

	2021 £	2020 £
Operating loss for the year is stated after charging:		
Depreciation of tangible assets	13,954,724	13,910,971
Cost of stocks recognised as an expense	14,413,844	16,117,709

The audit fee in 2021 and 2020 was borne by RWE Generation UK plc, the immediate parent undertaking and no recharge was made.

8 Employees

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

	2021 Number	2020 Number
Generation	45	44

Their aggregate remuneration comprised:

	2021 £	2020 £
Wages and salaries	2,239,185	2,131,462
Social security costs	250,896	231,572
Pension costs	225,460	200,858
	2,715,541	2,563,892

All employees are employed by RWE Generation UK plc, the immediate parent. Employee costs of £2,715,541 (2020: £2,563,892) have been recharged to RWE Markinch Limited in respect of the provision of services to the Company by employees of the immediate parent company.

The directors are remunerated by other group companies, the costs for which are not recharged to RWE Markinch Limited as their services to the Company are incidental to their services to the wider RWE group.

9 Finance income

	2021 £	2020 £
Finance income		
Interest receivable from group companies	9,716	45,741

10 Interest payable and similar expenses

	2021 £	2020 £
Interest on financial liabilities measured at amortised cost:		
Interest payable to group undertakings	4,722,541	4,734,275
Interest on other financial liabilities:		
Interest on lease liabilities	28,608	23,659
Total interest expense	4,751,149	4,757,934
Other finance costs:		
Unwinding of discount on provisions	19,838	70,767
Total Interest payable and similar expenses	4,770,987	4,828,701

11 Exceptional items

	2021 £	2020 £
Loan writeback	1,280,000	-
Impairment of £1 B shares in Glenrothes Paper Limited	(1,280,000)	(99,372)
Glenrothes Paper Limited following sale of machinery	169,867	201,175
Glenrothes Paper Limited redundancy	-	(201,175)
Tullis Russell Papermakers Limited dividend	-	13,566
	169,867	(85,806)

In the prior year, RWE Markinch Limited subscribed 99,372 £1 B shares in Glenrothes Paper Limited. The B shares have very limited rights and therefore the cost was recognised in the Statement of Comprehensive Income rather than capitalised as an investment.

£169,867 was received from Glenrothes Paper Limited following the sale of machinery.

In 2018 a loan to Glenrothes Paper Limited of £1,280,000 was made and immediately impaired as it was not thought it would be recovered. In 2021, the loan was converted into B shares, and the writeback of the initial loan was booked. The B shares were then immediately impaired as there is still minimal value anticipated in the investment.

12 Taxation

	2021 £	2020 (as restated) £
Current tax		
UK corporation tax on loss for the current period	(4,887,488)	(5,252,281)
Adjustments in respect of prior periods	(37,653)	6,422
Total UK current tax	(4,925,141)	(5,245,859)

RWE MARKINCH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

12 Taxation **(Continued)**

	2021	2020 (as restated)
	£	£
Deferred tax		
Origination and reversal of temporary differences	(11,218,657)	4,282,256
Changes in tax rates	(6,122,480)	(1,312,464)
Adjustment in respect of prior periods	16,952	(5,003)
	(17,324,185)	2,964,789
Total tax credit	(22,249,326)	(2,281,070)

The credit for the year can be reconciled to the loss per the Statement of Comprehensive Income as follows:

	2021	2020 (as restated)
	£	£
Loss before taxation	(88,293,509)	(8,339,010)
Expected tax credit based on a corporation tax rate of 19.00% (2020: 19.00%)	(16,775,767)	(1,584,412)
Effect of expenses not deductible in determining taxable profit	516,660	614,388
Difference between current and deferred tax rates	-	(531,769)
Adjustments in respect of previous periods	(20,701)	1,418
Non-taxable write-back of impairment of fixed assets	152,962	-
Re-measurement of deferred tax - change in the UK tax rate	(6,122,480)	(780,695)
Taxation credit for the year	(22,249,326)	(2,281,070)

See note 3 for further information along with the prior period adjustment note. Due to the changes to the derivatives this has restated the statement of profit and loss in 2020 and therefore the tax.

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%.

RWE MARKINCH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

13 Tangible fixed assets

	Freehold land and buildings	Leasehold land and buildings	Assets under construction	Plant and equipment	Total
	£	£	£	£	£
Cost					
At 31 December 2020	819,465	1,129,391	404,046	333,411,340	335,764,242
Additions	-	8,710	490,791	148,538	648,039
Disposals	-	-	-	(6,262)	(6,262)
Transfers	-	-	(138,860)	138,860	-
Change in estimate	-	-	-	(211,240)	(211,240)
At 31 December 2021	819,465	1,138,101	755,977	333,481,236	336,194,779
Accumulated depreciation and impairment					
At 31 December 2020	60,986	98,485	-	151,070,898	151,230,369
Charge for the year	30,493	79,034	-	13,845,197	13,954,724
Impairment loss	9,384	-	-	3,990,616	4,000,000
Eliminated on disposal	-	-	-	(6,262)	(6,262)
At 31 December 2021	100,863	177,519	-	168,900,449	169,178,831
Carrying amount					
At 31 December 2021	718,602	960,582	755,977	164,580,787	167,015,948
At 31 December 2020	758,479	1,030,906	404,046	182,340,442	184,533,873

Tangible fixed assets includes right-of-use assets, as follows:

Right-of-use assets	2021	2020
	£	£
Net values		
Leasehold land and buildings	960,582	1,030,906
Plant and equipment	-	810
	960,582	1,031,716
Additions	8,710	463,546
Depreciation charge for the year		
Leasehold land and buildings	79,034	53,955
Plant and equipment	810	2,726
	79,844	56,681

14 Stocks

	2021	2020
	£	£
Raw materials	4,632,074	3,417,041

Stocks principally comprise supplies of fuel.

With regard to raw materials the replacement cost is not materially different to the value shown in the statement of financial position. No provision (2020: £nil) has been made for slow moving, obsolete or defective stock.

15 Trade and other receivables

	2021	2020
	£	£
Accrued income	24,714,435	24,491,308
Amounts owed by fellow group undertakings	11,078,440	12,249,999
Loans owed by group undertakings	49,779,209	36,495,206
Prepayments	-	4,523
	85,572,084	73,241,036

Trade debtors disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

Amounts owed by fellow group undertakings are unsecured, interest free and have no fixed date of repayment.

Included in amounts owed by fellow group undertakings is £10,214,070 (2020: £9,896,229) of group relief receivable.

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

Accrued income comprises £23,762,102 (2020: £23,946,035) Renewables Obligation Certificates generated but not sold or redeemed, £550,879 VAT recoverable (2020: £328,843), £399,831 (2020: £216,410) carbon certificates, and £1,623 (2020: £20) other receivables.

16 Deferred taxation

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

	Accelerated tax depreciation	Fair value movements on financial instruments	Total
	£	£	£
Deferred tax asset at 1 January 2020	11,645,111	(494,171)	11,150,940
Deferred tax movements in prior year			
Debit to profit or loss	(5,240,627)	958,370	(4,282,257)
Effect of change in tax rate - profit or loss	1,370,602	(58,138)	1,312,464
Prior period adjustments	5,003	-	5,003
Deferred tax asset as 1 January 2021 (as restated) *	7,780,089	406,061	8,186,150
Deferred tax movements in current year			
(Debit)/credit to profit or loss	(3,397,104)	14,615,761	11,218,657
Effect of change in tax rate - profit or loss	1,378,747	4,743,733	6,122,480
Prior period adjustments	(16,952)	-	(16,952)
Deferred tax asset at 31 December 2021	5,744,780	19,765,555	25,510,335

*The prior period has been restated following the change to the derivatives reporting, please refer to note 3 for further information.

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

All items of deferred tax are expected to be recovered or settled more than 12 months after 31 December 2021. The deferred tax assets are expected to be recovered against future taxable income of the Company and the wider RWE UK tax group of which the Company is part of.

17 Trade and other payables

	2021	2020
	£	£
Trade creditors	1,277,822	275,915
Amounts owed to fellow group undertakings	9,486,270	8,201,822
Accruals and deferred income	2,189,111	2,058,393
	12,953,203	10,536,130

Amounts owed to fellow group undertakings includes amounts owed to the parent undertaking. They are unsecured, interest free and have no fixed date of repayment.

18 Derivative financial instruments

At 31 December 2021, derivative instruments outstanding related to include power, gas and carbon futures and forwards as well as FX forwards and power swaps. The derivative instruments expire over the period 2022 to 2025.

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

The 2020 amounts have been restated, see note 3 for further information.

	2021	2020 (as restated)
	£	£
Derivative financial assets	-	2,285,552
Derivative financial liabilties	(79,062,214)	(4,422,712)
Derivative financial instruments	(79,062,214)	(2,137,160)

19 Lease liabilities

Maturity analysis	**2021** £	**2020** £
Within one year	96,673	96,709
In two to five years	386,693	383,547
In over five years	674,247	764,624
Total undiscounted liabilities	1,157,613	1,244,880
Future finance charges and other adjustments	(175,325)	(202,808)
Lease liabilities in the financial statements	982,288	1,042,072

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

	2021	**2020**
	£	£
Current liabilities	69,887	68,160
Non-current liabilities	912,401	973,912
	982,288	1,042,072

Amounts recognised in profit or loss include the following:	**2021** £	**2020** £
Interest on lease liabilities	28,608	23,659

19 Lease liabilities **(Continued)**

Other leasing information is included in note 26.

20 Loans and overdrafts

	Due after one year 2021 £	2020 £
Loans held at amortised cost:		
Loans from parent undertaking	171,556,326	171,556,326

The loan owed to parent undertakings is unsecured, bears interest at a rate of 2.752%. The loan is repayable at any time with the consent of both parties and terminates on 31 July 2033.

21 Other provisions

	2021 £	2020 £
Decommissioning and plant closure	7,743,936	7,935,338
Carbon emission allowances	445,257	227,018
	8,189,193	8,162,356

Movements on provisions:	Decommissioning and plant closure £	Carbon emission allowances £	Total £
At 1 January 2021	7,935,338	227,018	8,162,356
Additional provisions in the year	513,308	452,881	966,189
Utilisation of provision	-	(234,642)	(234,642)
Unwinding of discount	(493,470)	-	(493,470)
Adjustment for change in estimate	(211,240)	-	(211,240)
At 31 December 2021	7,743,936	445,257	8,189,193

Decommissioning and plant closure
Provisions for decommissioning and plant closure are in relation to the expected site costs consisting of decommissioning and demolition costs. The provision will be utilised at the end of the plant's useful life which is estimated to be 12 years' time in the plant's current condition.

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 (UKAs).

22 Share capital

	2021	2020	2021	2020
Ordinary share capital	**Number**	**Number**	**£**	**£**
Authorised				
Ordinary shares of £1 each	2	2	2	2
Issued and fully paid				
Ordinary shares of £1 each	2	2	2	2

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.

Cost of contributions
The RWE Markinch Limited cost of contributions during the financial year was £90,949 (2020: £59,788).

23 Dividends

	2021	2020	2021	2020
Amounts recognised as distributions:	per share	per share	Total	Total
	£	£	£	£
Ordinary shares				
Interim dividend paid	-	8,950,000	-	17,900,000

24 Financial instruments

This financial derivatives have been re-stated in the 2020 figures below. Please see note 3 for details of this restatement.

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.

RWE MARKINCH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

24 Financial instruments **(Continued)**

Financial instruments by category

Assets	**Debt instruments measured at amortised cost**	**Assets at fair value through profit or loss**	**Total**
At 31 December 2021	**£**	**£**	**£**
Trade and other receivables excluding prepayments	85,572,084	-	85,572,084
Total	85,572,084	-	85,572,084

Liabilities	**Liabilities at amortised cost**	**Liabilities at fair value through profit or loss**	**Total**
At 31 December 2021	**£**	**£**	**£**
Derivative financial instruments		(79,062,214)	(79,062,214)
Trade and other payables excluding non-financial liabilities	(182,320,418)		(182,320,418)
Total	(182,320,418)	(79,062,214)	(261,382,632)

Assets	**Debt instruments measured at amortised cost**	**Assets at fair value through profit or loss**	**Total**
At 31 December 2020 (as restated)	**£**	**£**	**£**
Derivative financial instruments	-	2,285,552	2,285,552
Trade and other receivables excluding prepayments	73,236,513	-	73,236,513
Cash at bank and in hand	85,132	-	85,132
Total	73,321,645	2,285,552	75,607,197

Liabilities	**Liabilities at amortised cost**	**Liabilities at fair value through profit or loss**	**Total**
At 31 December 2020 (as restated)	**£**	**£**	**£**
Derivative financial instruments	-	(4,422,712)	(4,422,712)
Trade and other payables excluding non-financial liabilities	(180,034,063)	-	(180,034,063)
Total	(180,034,063)	(4,422,712)	(184,456,775)

24 Financial instruments (Continued)

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.

	Level 1	Level 2	Level 3	Total
At 31 December 2021	£	£	£	£
Derivative financial liabilities	-	(79,062,214)	-	(79,062,214)

	Level 1	Level 2	Level 3	Total
At 31 December 2020 (as restated)	£	£	£	£
Derivative financial liabilities	-	(4,422,712)	-	(4,422,712)
Derivative financial assets		2,285,552		2,285,552
Total	-	(2,137,160)	-	(2,137,160)

Maturity profile of financial assets/(liabilities)

	Liabilities at FVPL
At 31 December 2021	£
Due within one year	(48,430,233)
Due in more than one year and less than two years	(23,627,345)
Due in more than two years and less than five years	(7,004,636)
Total	(79,062,214)

	Liabilities at FVPL
At 31 December 2020 (as restated)	£
Due within one year	(2,866,697)
Due in more than one year and less than two years	(1,397,872)
Due in more than two years and less than five years	(158,143)
Total	(4,422,712)

24 Financial instruments (Continued)

Financial risk management

Commodity 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 Markinch Limited, the exposure to credit risk is considered immaterial.

None of the financial assets are past due or impaired as at 31 December 2021 (2020: £nil)

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.

Cash flow risk is mitigated by the use of forward derivatives for the sale of power. This reduces the Company's exposure to unforeseen cash requirements in the future.

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 instruments	Amounts that are offset in the statement of financial position	Net amounts of financial instruments
At 31 December 2021	**£**	**£**	**£**
Derivative financial asset	98,389,067	(98,389,067)	-
Derivative financial liability	(177,451,281)	98,389,067	(79,062,214)

	Gross amounts of recognised financial instruments	Amounts that are offset in the statement of financial position	Net amounts of financial instruments
At 31 December 2020 (as restated)	**£**	**£**	**£**
Derivative financial asset	22,750,093	(20,464,541)	2,285,552
Derivative financial liability	(24,887,253)	20,464,541	(4,422,712)

RWE MARKINCH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

25 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 £134,511 (2020: £141,070).

Defined benefit scheme
Throughout the whole of 2021, 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 2021. The Company can not reliably account for their portion of the scheme so it is accounted for as a Defined contribution scheme.

Valuation
The scheme was most recently valued on 31 March 2019, which revealed a funding shortfall, technical provisions minus value of assets, of £44.3m. Independent actuaries have assessed the IAS 19R position as at 31 December 2021 for the RWE section by updating the last formal calculations using method appropriate for IAS 19R. As at 31 December 2021, there was a surplus of £64m (2020: a surplus of £1m).

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 88% of its interest rate exposure and around 86% of its inflation exposure. In addition, the Trustees conduct regular reviews of concentration in particular investments.

Funding policy
As part of the 31 March 2019 scheme valuation and in accordance with the Recovery Plan dated 11 September 2019, to eliminate the shortfall, a payment of £48.3m was made on 6 March 2020, of which £36.0m was payable by RWE Markinch Limited's immediate parent company, RWE Generation UK plc. In 2021 no deficit repair payments were made as the scheme is now in a surplus.

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.

Cost of contributions
The RWE Markinch Limited cost of contributions during the financial year was £90,949 (2020: £59,788).

26 Other leasing information

Lessee

Amounts recognised in the Statement of Comprehensive Income as an expense during the period in respect of lease arrangements are as follows:

	2021	2020
	£	£
Expense relating to short-term leases	32,132	34,678

Information relating to lease liabilities is included in note 19.

27 Capital commitments

	2021	2020
	£	£
At 31 December the Company had capital commitments as follows:		
Contracted for but not provided in the financial statements:		
Acquisition of tangible fixed assets	297,548	240,000

28 Controlling party

The Company's immediate parent is RWE Generation UK plc.

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

The ultimate controlling party is RWE AG.