

THAMES VALLEY POWER LIMITED

Registered Number 3041643

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2004



CONTENTS

Page:

2	Directors' report
4	Statement of directors' responsibilities
5	Independent Auditors' report
7	Profit and loss account
7	Statement of total recognised gains and losses
8	Balance sheet
9	Cash flow statement
10	Notes to the financial statements

Directors

Christopher J Daniels
Adrian Dixon
Gurdip S Juty
Simon M Merriweather
Angus T Norman
John L Norton
Peter A Rosenthal
Ian A Smith
Nancy C Southern
Gerald W Welsh
Richard H Walthall

Company Secretary

Robert Ian Higson

Auditors

Deloitte & Touche LLP
London

Registered Office

40 Grosvenor Place
Victoria
London
SW1X 7EN

DIRECTORS' REPORT

The Directors present their annual report and audited financial statements for the year ended 31 December 2004.

Principal activity and review of the business

The Company is a 50/50 joint venture arrangement between EDF Energy (Energy Branch) plc and ATCO Power Generation Ltd.

The Company's principal activity during the year continued to be electrical power generation. It will continue in this activity for the foreseeable future.

Results and dividends

The profit for the year, before taxation, amounted to £676,000 (2003: £757,000) and after taxation, to £446,000 (2003: £543,000). The Directors recommend payment of a final dividend of £1,133,657 (2003: £Nil).

Directors and their interests

Directors who held office during the year and subsequently were as follows:

Christopher J Daniels	
Adrian Dixon	Appointed 31 January 2005
Melanie D Gibson	Resigned 30 September 2004
Gurdip S Juty	Appointed 30 September 2004
Simon M Merriweather	
Angus T Norman	
John L Norton*	
Peter A Rosenthal*	
Ian A Smith	
Nancy C Southern*	Appointed 28 April 2004
Joseph Verdi	Resigned 31 January 2005
Gerald W Welsh*	Resigned 01 March 2005
Richard H Walthall	Appointed 01 March 2005

None of the Directors has a service contract with the Company.

There are no contracts during or at the end of the financial year in which a Director of the Company was materially interested.

None of the Directors who held office at the end of the financial year had any interest in the shares of the Company or any other related group company.

Political and charitable contributions

During the year, the Company made no charitable contributions (2003: £Nil) and no political contributions (2003: £Nil).

DIRECTORS' REPORT Continued

Creditors payment policy

The Company's current policy concerning the payment of its trade creditors and other suppliers is to:

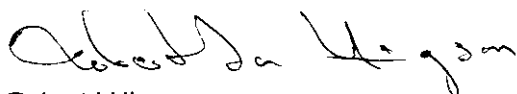
- agree the terms of payment with those creditors/suppliers when agreeing the terms of each transaction;
- ensure that those creditors/suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with its contractual and other legal obligations.

The payment policy applies to all payments to creditors/suppliers for revenue and capital supplies of goods and services without exception. At 31 December 2004, the Company had an average of Nil days (2003 - 27 days) purchases outstanding in its trade creditors.

Auditors

Deloitte & Touche LLP were appointed as auditors in the current year, following the resignation of Ernst & Young LLP. Deloitte & Touche LLP will be re-appointed as the Company's auditor in accordance with the elective resolution passed by the Company under section 386 of the Companies Act 1985.

By order of the Board



Robert I Higson
Company Secretary
Date

31 October 2005

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; 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 keeping proper accounting records which 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 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF THAMES VALLEY POWER LIMITED

We have audited the financial statements of Thames Valley Power Limited for the year ended 31 December 2004 which comprise the profit and loss account, the balance sheet, the cash flow statement, the reconciliation of net cash flow to movement in net debt, and the related notes numbered 1 to 19. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company, consistently applied and adequately disclosed.

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

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF THAMES VALLEY POWER LIMITED
Continued

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

Date 31 October 2005

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2004**

	<i>Note</i>	2004 £000	2003 £000
Turnover	2	5,429	4,749
Cost of sales		(2,637)	(1,953)
Gross profit		2,792	2,796
Administrative expenses		(2,151)	(2,018)
Operating profit	3	641	778
Profit on ordinary activities before interest and taxation		641	778
Interest receivable and similar income	6	36	24
Interest payable and similar charges	7	(1)	(45)
Profit on ordinary activities before taxation		676	757
Tax on profit on ordinary activities	8	(230)	(214)
Profit for the financial year		446	543
Dividends paid and proposed	9	(1,134)	-
Retained (loss)/profit for the financial year	16	(688)	543

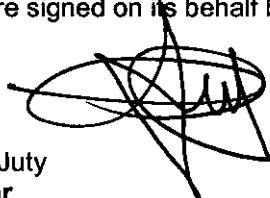
All results are derived from continuing operations in both the current and preceding year and accordingly no statement of recognised gains or losses has been presented.

THAMES VALLEY POWER LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2004

BALANCE SHEET
AT 31 DECEMBER 2004

	<i>Note</i>	2004 £000	2003 £000
Fixed assets			
Tangible assets	10	4,535	5,318
Current assets			
Stock	11	135	135
Debtors	12	927	1,464
Cash		1,438	-
		2,500	1,599
Creditors: amounts falling due within one year	13	(2,155)	(1,239)
Net current assets		345	360
Total assets less current liabilities		4,880	5,678
Provisions for liabilities and charges	14	(946)	(1,056)
Net assets		3,934	4,622
Capital and reserves			
Called up share capital	15	2,020	2,020
Profit and loss account	16	1,914	2,602
Equity shareholders' funds	16	3,934	4,622

The accounts on pages 7 to 16 were approved by the Board of Directors on 31 October 2005 and were signed on its behalf by:



Gurdip Juty
Director

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2004**

	<i>Note</i>	2004 £000	2003 £000
Net cash inflow from continuing operating activities	<i>17</i>	2,036	347
Returns on investments and servicing of finance			
Interest received		36	24
Interest paid		(1)	(44)
Net cash inflow/(outflow) from returns on investments and servicing of finance		35	(20)
Taxation			
Corporation tax		(323)	(253)
Net cash outflow from taxation		(323)	(253)
Capital expenditure and financial investment			
Purchase of fixed assets		(29)	(13)
Net cash outflow from capital expenditure		(29)	(13)
Net cash inflow before financing	<i>17</i>	1,719	61
Financing			
Loan repayments		-	(950)
Net cash outflow from financing		-	(950)
Increase/(decrease) in cash		1,719	(889)

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2004**

	2004 £000	2003 £000
Increase/(decrease) in cash	1,719	(889)
Repayment of loans	-	950
Movement in net cash/(debt)	1,719	61
Net debt at 1 January	(281)	(342)
Net cash/(debt) at 31 December	<i>17</i>	(281)

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

The principal accounting policies are set out below. They have all been applied consistently throughout the year and the preceding year.

Basis of preparation

These financial statements have been prepared on a consistent basis under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and provision for impairment. The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life, as follows:

Plant and machinery	–	15 years
Lease premium	–	15 years
IT equipment	–	3 years

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Provisions are made for obsolete, slow moving or defective items where appropriate.

Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future, have occurred at the balance sheet date with the following exceptions:

- Provision is made for gains on disposal of fixed assets that have been rolled over into replacement assets only where, at the balance sheet date, this is a commitment to dispose of the replacement assets with no likely subsequent rollover or available capital losses.
- Provision is made for gains on revalued fixed assets only where there is a commitment to dispose of the revalued assets and the attributable gain can neither be rolled over or eliminated by capital losses.
- Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

Deferred tax is measured on an undiscounted basis.

NOTES TO THE FINANCIAL STATEMENTS Continued

2. Turnover

Turnover, which is stated net of value added tax, arises entirely in the United Kingdom and is attributable to the continuing activity of electrical power generation.

3. Operating profit

	2004 £000	2003 £000
This is stated after charging/(crediting)		
Depreciation of fixed assets – owned	812	798
Auditors' remuneration for audit services	8	4
Bad debt (recovered)/provision	(284)	284

In 2004, amounts payable to Deloitte & Touche LLP and their associates by the company in respect of non-audit services were £Nil. Amounts payable in respect of auditors' remuneration in 2003 were payable to Ernst & Young LLP and amounted to £Nil in respect of non-audit services.

4. Directors' emoluments

None of the Directors received any remuneration for services to the Company during the year or preceding year.

5. Employee information

The Company had no employees during the year (2003: Nil).

6. Interest receivable and similar income

	2004 £000	2003 £000
Other interest receivable – bank deposits	36	24
	36	24

7. Interest payable and similar charges

	2004 £000	2003 £000
Interest payable on loans from other Group companies	-	43
Other interest payable – bank interest	1	1
Exchange losses	-	1
	1	45

NOTES TO THE FINANCIAL STATEMENTS Continued

8. Tax on profit on ordinary activities

a) Analysis of tax charge in the year

UK current tax

	2004 £000	2003 £000
UK corporation tax charge on profit for the year	340	334
Total current tax charge (Note (8b))	340	334

UK deferred tax

	2004 £000	2003 £000
Origination and reversal of timing differences	(129)	(120)
Adjustment to prior year	19	-
Total deferred tax credit	(110)	(120)
Total tax charge on profit on ordinary activities	230	214

(b) Factors affecting tax charge for the year:

	2004 £000	2003 £000
The tax assessed for the period is higher/lower than the standard rate of corporation tax in the UK (30%).		
The differences are explained below:		
Profit on ordinary activities before tax	676	757
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	203	227
Effect of:		
Disallowed expenses and non-taxable income	8	7
Capital allowances lower than depreciation	129	120
Other	-	(20)
Current tax charge for the period	340	334

NOTES TO THE FINANCIAL STATEMENTS Continued

9. Dividends paid and proposed

	2004 £000	2003 £000
Equity dividends on ordinary shares:		
Interim proposed of 28.3p (2003: Nil) per ordinary share	850	
Final proposed of 9.5p (2003: Nil) per ordinary share	284	-
	1,134	-

10. Tangible fixed assets

	Plant and machinery £000	Lease premium £000	IT equipment £000	Total £000
Cost				
At 1 January 2004	10,417	1,390	80	11,887
Additions	29	-	-	29
At 31 December 2004	10,446	1,390	80	11,916
Depreciation				
At 1 January 2004	5,714	780	75	6,569
Charge for the year	715	93	4	812
At 31 December 2004	6,429	873	79	7,381
Net book value				
At 31 December 2004	4,017	517	1	4,535
At 31 December 2003	4,703	610	5	5,318

11. Stocks

	2004 £000	2003 £000
Raw materials and consumables	135	135
	135	135

12. Debtors

	2004 £000	2003 £000
Debtors: amounts falling due within one year		
Trade debtors	282	97
VAT	-	233
Prepayments and accrued income	645	1,134
	927	1,464

NOTES TO THE FINANCIAL STATEMENTS Continued

13. Creditors: amounts falling due within one year

	2004 £000	2003 £000
Bank overdrafts	-	281
Trade creditors	-	14
Amounts owed to other group companies	-	119
Corporation tax	358	341
Other taxation and social security	180	-
Accruals and deferred income	483	484
Dividends payable	1,134	-
	2,155	1,239

14. Provisions for liabilities and charges

The movements in provisions during the current year are as follows:

	At 1 January 2004 £000	Arising during the year £000	At 31 December 2004 £000
Deferred tax	1,056	(110)	946
	1,056	(110)	946

The movements in deferred taxation during the current year are as follows:

	2004 £000
At 1 January 2004	1,056
Credit for the year (note 8(a))	(110)
At 31 December 2004	946

Deferred taxation provided in the financial statements is as follows:

	2004 £
Accelerated capital allowances	946
Provision for deferred tax	946

NOTES TO THE FINANCIAL STATEMENTS Continued

15. Share capital

Authorised

	2004 Number	2003 Number	2004 £000	2003 £000
Ordinary shares of £1 each	3,000,000	3,000,000	3,000	3,000
	3,000,000	3,000,000	3,000	3,000

Allotted, called up and fully paid

	2004 Number	2003 Number	2004 £000	2003 £000
Ordinary shares of £1 each	2,020,000	2,020,000	2,020	2,020
	2,020,000	2,020,000	2,020	2,020

16. Reconciliation of equity shareholders' funds and movement on reserves

	Share capital £000	Profit and loss account £000	Total equity shareholders' funds £000
At 1 January 2003	2,020	2,059	4,079
Profit for the year	-	543	543
At 31 December 2003	2,020	2,602	4,622
Profit for the year		446	446
Dividend	-	(1,134)	(1,134)
At 31 December 2004	2,020	1,914	3,934

17. Notes to the cash flow statement

a) Reconciliation of operating profit to net cash inflow from continuing operating activities

	2004 £000	2003 £000
Operating profit	641	778
Depreciation of tangible fixed assets (see note 10)	812	798
Increase in stocks	-	(19)
Decrease/(increase) in debtors: amounts falling due within one year	537	(945)
Decrease in amounts owed by EDF Energy (Energy Branch) plc	-	14
Increase/(decrease) in creditors: amounts falling due within one year	46	(279)
Net cash inflow from continuing operating activities	2,036	347

NOTES TO THE FINANCIAL STATEMENTS Continued

17. Notes to the cash flow statement

b) Analysis of net cash/(debt)

	At 1 January 2004	Cash flows	At 31 December 2004
	£000	£000	£000
Cash in hand	-	1,438	1,438
Bank overdraft	(281)	281	-
Total	(281)	1,719	1,438

18. Related parties

During the year, the cost of services provided to the Company by EDF Energy (London Heat and Power) Limited, a 100% subsidiary of EDF Energy (Energy Branch) plc was £148,535 (2003: £197,909).

19. Parent undertaking and controlling party

The Company is owned 50% by EDF Energy (Energy Branch) plc and 50% by ATCO Power Generation Ltd. Both shareholders' have a significant, but not dominant, influence over the Company.