

**THAMES VALLEY POWER LIMITED**

**Registered Number 3041643**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**31 DECEMBER 2003**



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### Directors

Christopher J Daniels  
Melanie D Gibson  
Simon M Merriweather  
Angus T Norman  
John L Norton  
Peter A Rosenthal  
Ian A Smith  
Nancy C Southern  
Joseph Verdi  
Gerald W Welsh

### Company Secretary

Robert I Higson

### Auditors

Ernst & Young LLP  
1 More London Place  
London  
SE1 2AF

### Registered Office

40 Grosvenor Place  
Victoria  
London  
SW1X 7EN

## DIRECTORS' REPORT

The Directors present their report and financial statements for the year ended 31 December 2003.

### Principal activity and review of the business

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

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, after taxation, amounted to £543,000 (2002: restated profit of £485,000). The Directors do not recommend payment of a dividend (2002: £Nil).

### Directors and their interests

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

Christopher J Daniels		(Appointed 20 March 2003)
Melanie D Gibson	Alternate to Simon M Merriweather	(Appointed 20 March 2003)
Simon M Merriweather		(Appointed 20 March 2003)
Angus T Norman		
John L Norton		
Peter A Rosenthal		
Ian A Smith		
Nancy C Southern		(Appointed 28 April 2004)
Joseph Verdi	Alternate to Angus T Norman	(Appointed 20 March 2003)
Gerald W Welsh		(Appointed 28 April 2004)
Gary K Bauer		(Resigned 28 April 2004)
Stephen J Bott		(Resigned 20 March 2003)
Anthony J Pullman		(Resigned 28 April 2004)

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.

There are no particulars or arrangements requiring disclosure pursuant to section 232 of the Companies Act 1985.

**DIRECTORS' REPORT Continued**

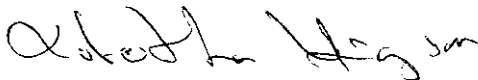
**Creditors payment policy**

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

- settle 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 2003 the Company had an average of 27 days (2002: Nil days) purchases outstanding in its trade creditors.

By order of the Board



Robert I Higson  
Company Secretary

Date

21 MAY 2004

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that they have complied with these requirements and having a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THAMES VALLEY POWER LIMITED**

We have audited the Company's financial statements for the year ended 31 December 2003 which comprise Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash Flow Statement, and the related notes 1 to 22. 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 legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you 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 is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

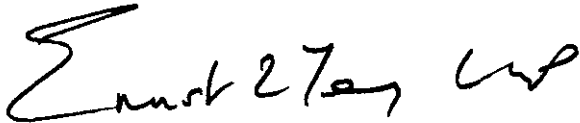
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates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

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

**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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read 'Ernst & Young LLP', with a stylized flourish at the end.

Ernst & Young LLP  
Registered Auditor  
London

Date

21 MAY 2004

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2003**

	<i>Note</i>	2003 £000	Restated 2002 £000
Turnover	2	4,749	5,223
Cost of sales		(1,953)	(2,348)
<b>Gross profit</b>		<b>2,796</b>	<b>2,875</b>
Net operating costs and administrative expenses	3	(2,018)	(2,100)
<b>Operating profit</b>	4	<b>778</b>	<b>775</b>
Interest receivable and similar income	7	24	15
Interest payable and similar charges	8	(45)	(141)
<b>Profit on ordinary activities before taxation</b>		<b>757</b>	<b>649</b>
Tax charge on profit on ordinary activities	9	(214)	(164)
<b>Profit retained for the financial year</b>	16	<b>543</b>	<b>485</b>

Prior year figures have been restated to show the effect of the change in accounting policy (note 21).

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 DECEMBER 2003**

	<i>Note</i>	2003 £000	Restated 2002 £000
Profit for the financial year		543	485
<b>Total recognised gains and losses relating to the year</b>		<b>543</b>	<b>485</b>
Prior year adjustment – change in accounting policy	21	(82)	
<b>Total recognised gains and losses since last annual report</b>		<b>461</b>	

Prior year figures have been restated to show the effect of the change in accounting policy (note 21).



**BALANCE SHEET  
AT 31 DECEMBER 2003**

	Note	2003 £000	Restated 2002 £000
<b>Fixed assets</b>			
Tangible assets	10	5,318	6,029
<b>Total fixed assets</b>		5,318	6,029
<b>Current assets</b>			
Stock	11	135	116
Debtors falling due within one year	12	1,464	533
Cash		-	608
<b>Total current assets</b>		1,599	1,257
<b>Creditors</b> (amounts falling due within one year)	13	(1,239)	(2,031)
<b>Net current assets/(liabilities)</b>		360	(774)
<b>Total assets less current liabilities</b>		5,678	5,255
Provision for liabilities and charges	14	(1,056)	(1,176)
<b>Net assets</b>		4,622	4,079
<b>Capital and reserves</b>			
Called up share capital	15	2,020	2,020
Profit and loss account	16	2,602	2,059
<b>Equity shareholders' funds</b>	16	4,622	4,079

Prior year figures have been restated to show the effect of the change in accounting policy (note 21).

The financial statements on pages 7 to 17 were approved by the Board of Directors on **21 MAY 2004**  
and were signed on its behalf by:



Christopher J Daniels  
Director



Ian A Smith  
Director

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2003**

	<i>Note</i>	2003 £000	2002 £000
<b>Net cash inflow from continuing operating activities</b>	<b>18</b>	<b>347</b>	<b>1,965</b>
<b>Returns on investments and servicing of finance</b>			
Interest received		24	15
Interest paid		(44)	(141)
<b>Net cash outflow from returns on investments and servicing of finance</b>		<b>(20)</b>	<b>(126)</b>
<b>Taxation</b>			
Corporation tax		(253)	(19)
<b>Net cash outflow from taxation</b>		<b>(253)</b>	<b>(19)</b>
<b>Capital expenditure and financial investment</b>			
Purchase of fixed assets		(13)	(21)
<b>Net cash outflow from capital expenditure</b>		<b>(13)</b>	<b>(21)</b>
<b>Net cash inflow before financing</b>		<b>61</b>	<b>1,799</b>
<b>Financing</b>			
Loan repayments		(950)	(1,250)
<b>Net cash outflow from financing</b>		<b>(950)</b>	<b>(1,250)</b>
<b>Increase/(decrease) in cash</b>		<b>(889)</b>	<b>549</b>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT  
FOR THE YEAR ENDED 31 DECEMBER 2003**

		2003 £000	2002 £000
<b>Increase/(decrease) in cash</b>		<b>(889)</b>	<b>549</b>
Repayment of loans		950	1,250
<b>Movement in net debt</b>	<b>18</b>	<b>61</b>	<b>1,799</b>
Net debt at 1 January		(342)	(2,141)
<b>Net debt at 31 December</b>	<b>18</b>	<b>(281)</b>	<b>(342)</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Accounting policies

#### Basis of preparation

These financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards in the United Kingdom.

In preparing the financial statements for the current year, the Company has discontinued its policy of discounting of deferred tax assets and liabilities. This change in accounting policy has been reflected in the financial statements as a prior year adjustment in accordance with FRS 3. Further details are given in note 21.

#### Tangible fixed assets

The cost of individual tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

#### Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, 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 equipment	–	15 years
Lease premium	–	15 years
IT equipment	–	3 years

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.

#### 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, as follows:

Raw materials and consumables – Purchase cost on a average price basis

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

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

#### Deferred taxation

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 not measured on a discounted basis. Previously deferred tax was measured on a discounted basis. Comparative figures have been restated as required (note 21).

## NOTES TO THE FINANCIAL STATEMENTS Continued

### Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

### Leasing and hire purchase commitments

Rentals payable under operating leases are charged in the profit and loss account on a straight-line basis over the lease term.

### 2. Turnover

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

### 3. Net operating costs and administrative expenses

	2003 £000	2002 £000
Operation and maintenance costs	1,338	1,678
Administrative costs	396	341
Bad debt provision	284	81
	<hr/> 2,018	<hr/> 2,100

### 4. Operating profit

	2003 £000	2002 £000
This is stated after charging:		
Depreciation of owned fixed assets	798	782
Amortisation of discount	-	4
Auditors' remuneration	4	4

### 5. Directors' emoluments

No Director received any remuneration from the Company during the year (2002: £Nil).

### 6. Employee information

The Company had no employees during the year (2002: Nil).

### 7. Interest receivable and similar income

	2003 £000	2002 £000
Interest receivable on the bank deposit account	24	15

NOTES TO THE FINANCIAL STATEMENTS Continued

**8. Interest payable and similar charges**

	2003 £000	2002 £000
Interest due on loans from parent companies	43	138
Bank interest	1	1
Exchange loss	1	2
	<b>45</b>	<b>141</b>

**9. Tax charge on profit on ordinary activities**

(a) Analysis of tax charge in the year

	2003 £000	Restated 2002 £000
<b>UK current tax</b>		
UK corporation tax charge on profits of the year	(334)	(260)
Adjustment in respect of previous years	-	10
<b>Total current tax charge (Note 9(b))</b>	<b>(334)</b>	<b>(250)</b>
<b>UK deferred tax</b>		
Origination and reversal of timing differences	120	86
<b>Total deferred tax credit</b>	<b>120</b>	<b>86</b>
<b>Tax charge on profit on ordinary activities</b>	<b>(214)</b>	<b>(164)</b>

(b) Factors affecting tax charge for the year

	2003 £000	2002 £000
The tax assessed for the year is higher than the standard rate of corporation tax in the UK (30%).		
The differences are explained below:		
Profit on ordinary activities before tax	757	649
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	(227)	(195)
Effect of:		
Adjustment to prior year tax charge	-	10
Disallowed expenses and non-taxable income	(7)	(7)
Capital allowances lower than depreciation	(120)	(86)
Lease depreciation allowable	-	28
Non taxable income	20	-
<b>Current tax charge for the year</b>	<b>(334)</b>	<b>(250)</b>

NOTES TO THE FINANCIAL STATEMENTS Continued

10. Tangible fixed assets

	Plant and equipment £000	Lease premium £000	IT equipment £000	Total tangible assets £000
<b>Cost</b>				
At 1 January 2003	10,330	1,390	80	11,800
Additions	87	-	-	87
<b>At 31 December 2003</b>	<b>10,417</b>	<b>1,390</b>	<b>80</b>	<b>11,887</b>
<b>Depreciation</b>				
At 1 January 2003	5,012	688	71	5,771
Charge for the year	702	92	4	798
<b>At 31 December 2003</b>	<b>5,714</b>	<b>780</b>	<b>75</b>	<b>6,569</b>
<b>Net book amount</b>				
<b>At 31 December 2003</b>	<b>4,703</b>	<b>610</b>	<b>5</b>	<b>5,318</b>
At 31 December 2002	5,318	702	9	6,029

11. Stock

	2003 £000	2002 £000
Raw materials and consumables	135	116

12. Debtors falling due within one year

	2003 £000	2002 £000
Trade debtors	97	17
Other taxes	233	-
Amounts owed by EDF Energy plc (formerly London Electricity Group plc)	-	14
Prepayments and accrued income	1,134	502
	<b>1,464</b>	<b>533</b>

There were no debtors falling due after more than one year.

**NOTES TO THE FINANCIAL STATEMENTS Continued**

**13. Creditors: amounts falling due within one year**

	2003 £000	2002 £000
Bank overdraft	281	-
Borrowings from parent companies	-	950
Trade creditors	14	-
Corporation tax	341	260
Other taxes	-	217
Accruals and deferred income	484	336
Amounts owed to EDF Energy (London Heat & Power) Limited (formerly London Heat & Power Limited)	119	268
	<b>1,239</b>	<b>2,031</b>

During the year the borrowings from the parent companies, EDF Energy (Energy Branch) plc (formerly The London Power Company plc) and ATCO Power Generation Limited, were repaid.

**14. Provisions for liabilities and charges**

	Restated At 1 January 2003 £000	Utilised in the year £000	Released in the year £000	Arising during the year £000	At 31 December 2003 £000
Deferred tax	(1,176)	-	120	-	(1,056)

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

	2003 £000
At 1 January	1,094
Prior year adjustment (note 21)	82
At 1 January (restated)	1,176
Credit for the year (note 9)	(120)
<b>At 31 December</b>	<b>1,056</b>

Deferred taxation provided in the financial statements is as follows:

	2003 £000	Restated 2002 £000
Accelerated capital allowances	1,056	1,176
Undiscounted provision for deferred taxation	1,056	1,176

**NOTES TO THE FINANCIAL STATEMENTS Continued**

**15. Called up share capital**

Authorised	2003 £000	2002 £000
1,500,000 'A' ordinary shares of £1 each	1,500	1,500
1,500,000 'B' ordinary shares of £1 each	1,500	1,500
	<b>3,000</b>	<b>3,000</b>

Allotted, called up and fully paid	2003 Number	2002 Number	2003 £000	2002 £000
'A' ordinary shares of £1 each held by EDF Energy (Energy Branch) plc (formerly The London Power Company plc)	1,010,000	1,010,000	1,010	1,010
'B' ordinary shares of £1 each held by ATCO Power Generation Limited	1,010,000	1,010,000	1,010	1,010
	<b>2,020,000</b>	<b>2,020,000</b>	<b>2,020</b>	<b>2,020</b>

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

	Share capital £000	Profit and loss account £000	Total share- holders' funds £000
At 1 January 2002	2,020	1,744	3,764
Prior year adjustment	-	(170)	(170)
At 1 January 2002 (restated)	2,020	1,574	3,594
Profit retained for the financial year (restated)	-	485	485
At 31 December 2002 (restated)	2,020	2,059	4,079
Profit retained for the financial year	-	543	543
<b>At 31 December 2003</b>	<b>2,020</b>	<b>2,602</b>	<b>4,622</b>

**17. Contingent Liabilities**

The Company had no contingent liabilities at 31 December 2003 (2002: £Nil).



## NOTES TO THE FINANCIAL STATEMENTS Continued

### 18. Notes to the cash flow statement

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

	2003 £000	2002 £000
Operating profit	778	775
Depreciation of tangible fixed assets (see note 10)	798	782
Amortisation of discount (see note 16)	-	4
(Increase)/decrease in stocks	(19)	(9)
(Increase)/decrease in debtors	(80)	185
(Increase)/decrease in prepayments and accrued income	(632)	124
Increase in other taxation and social security debtor	(233)	-
Decrease in amounts owed by EDF Energy (formerly London Electricity Group) plc	14	11
Increase/(decrease) in trade creditors	14	(127)
Increase/(decrease) in amounts due to associated undertakings	(149)	268
Increase/(decrease) in other taxation and social security creditor	(217)	123
Increase/(decrease) in operating accruals and deferred income	73	(171)
<b>Net cash inflow from continuing operating activities</b>	<b>347</b>	<b>1,965</b>

#### (b) Analysis of net debt

	At 1 Jan 2003 £000	Cash flows £000	At 31 Dec 2003 £000
Cash in hand	608	(608)	-
Bank overdraft	-	(281)	(281)
Debt due within one year	(950)	950	-
<b>Total</b>	<b>(342)</b>	<b>61</b>	<b>(281)</b>

### 19. Capital commitments

There is no capital expenditure that has been contracted for but not provided for in the financial statements.

### 20. Related parties

During the year, the cost of services provided to the Company by EDF Energy (London Heat and Power) Limited (formerly London Heat and Power Limited) (a 100% subsidiary of EDF Energy (Energy Branch) plc (formerly The London Power Company plc)) was £197,909 (2002: £198,528).

## NOTES TO THE FINANCIAL STATEMENTS Continued

### 21. Prior year adjustment

#### Deferred tax

The Directors have decided to discontinue the policy of discounting deferred tax assets and liabilities in order to reduce the difference in the Company's accounting policies with those of the Company's ultimate parent company, EDF, which prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS"). Under IFRS, the discounting of deferred tax assets and liabilities is not permitted. This change in accounting policy has been reflected in the financial statements as a prior year adjustment in accordance with FRS 3.

The effect on the Company profit and loss account for the years ended 31 December 2003 and 31 December 2002 is shown below.

	2003 £000	2002 £000
Increase/(decrease) in tax charge as a result of change in accounting policy	25	(88)
Total net profit increase/(decrease)	(25)	88
As previously reported		397
As restated		485

The effect on the Company balance sheet at 31 December 2003 and 31 December 2002 is shown below.

	Under previous policy £000	2003 Accounting policy change £000	Per accounts £000	As previously reported £000	2002 Accounting policy change £000	Per accounts (Restated) £000
Deferred tax liability	(949)	(107)	(1,056)	(1,094)	(82)	(1,176)
Movement in equity shareholders' funds	-	107	-	-	82	-

### 22. Parent undertaking and controlling party

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