

THAMES VALLEY POWER LIMITED

Registered Number 3041643

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2006

THAMES VALLEY POWER LIMITED
a joint venture between



&

ATCO *Power*

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Directors

Peter S Hofman
Angus T Norman
John L Norton
James O'Sullivan
Peter A Rosenthal
Ian A Smith
Cheryl W H Chan
Michael J Ousby
Nancy C Southern
Richard H Walthall
Irene Weedon

Company Secretary

Robert Ian Higson

Auditors

Deloitte & Touche LLP
Chartered Accountants
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 2006

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 Limited

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

Thames Valley Power has a 15 year agreement with Heathrow Airport Ltd to operate and maintain the assets to supply electricity and heat to Heathrow Airport. The existing agreement will expire on the 27 July 2010.

As shown in the company's profit and loss account on page 7, the company's turnover has increased by 28.5% over the prior year and profit after tax has similarly improved from £787,000 to £1,291,000.

The balance sheet on page 8 of the financial statements shows that the company's net asset position at the year end is consistent with the prior year.

Principal Financial risks and uncertainties

The Company considers its principal financial risk to arise from risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The most important components of financial risk are interest rate risk, currency risk, credit risk, liquidity risk, cash flow risk and price risk. Due to the nature of the Company's business and the assets and liabilities contained within the Company's balance sheet the only financial risks the directors consider relevant to this company are credit risk, liquidity risk and price risk.

Credit, liquidity and price risk

The Company's exposure to credit, liquidity and price risk are mitigated by the nature of the company's client and the long term nature and structure of its contracts with its client and principal fuel and service suppliers.

Results and dividends

The profit for the year, before taxation, amounted to £1,856,000 (2005: £1,096,000) and, after taxation, to £1,291,000 (2005: £787,000). An interim dividend has been paid in 2007: £1,270,267 and the Directors may further recommend a second interim dividend: (£1,452,640 paid in 2006).

Disclosure of information to Auditors

Each of the persons who is a Director at the date of approval of this annual report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

DIRECTORS' REPORT (Continued)

Directors and their interests

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

Maria H Maes	(resigned – 16 October 2006)
Peter S Hofman	(appointed – 16 October 2006)
Cheryl W H Chan	
Angus T Norman	
John L Norton	
James O'Sullivan	(resigned – 27 April 2007)
Peter A Rosenthal	
Ian A Smith	
Michael J Ousby	
Nancy C Southern	
Richard H Walthall	
Irene Weedon	(resigned – 27 April 2007)

None of the Directors has a service contract with the Company. They are engaged either by EDF Energy plc or ATCO Power Generation Limited or one of their associates.

There are no contracts of significance during or at the end of the financial year in which a Director of the Company had a material interest.

The Shareholder Companies or their affiliates have made qualifying third party indemnity provisions for the benefit of their Directors which were made during the year and remain in force at the date of this report.

Political and charitable contributions

During the year, the Company made no charitable contributions (2005: £Nil) and no political contributions (2005: £Nil).

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 2006, the trade creditor amount outstanding represented an average of one day's purchases (2005: 1 day).

Auditors

Deloitte & Touche LLP will be re-appointed as the Company's auditors in accordance with the elective resolution passed by the Company under section 386 of the Companies Act 1985.

By order of the Board



Robert Ian Higson
Company Secretary

17 August 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK 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 that 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 2006 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes numbered 1 to 17. 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

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

20 August 2007

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

	<i>Note</i>	2006 £000	2005 £000
Turnover	2	7,847	6,106
Cost of sales		(3,422)	(2,980)
Gross profit		4,425	3,126
Administrative expenses		(2,660)	(2,102)
Operating profit	3	1,765	1,024
Interest receivable and similar income	5	92	73
Interest payable	6	(1)	(1)
Profit on ordinary activities before taxation		1,856	1,096
Tax on profit on ordinary activities	7	(565)	(309)
Profit for the financial year	15	1,291	787

All results are delivered from continuing operations in both the current and preceding year

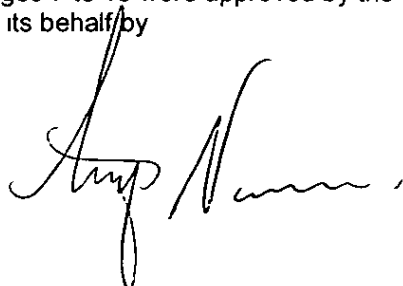
There were no recognised gains or losses in either year other than the profit for that year and hence no statement of total recognised gains and losses has been presented

**BALANCE SHEET
AT 31 DECEMBER**

	<i>Note</i>	2006 £000	2005 £000
Fixed assets			
Tangible assets	8	3,084	3,757
Current assets			
Stock	9	220	263
Debtors	10	1,173	1,627
Cash		2,935	1,266
		4,328	3,156
Creditors amounts falling due within one year	11	(2,225)	(1,394)
Net current assets		2,103	1,762
Total assets less current liabilities		5,187	5,519
Provisions for liabilities and charges	12	(628)	(798)
Net assets		4,559	4,721
Capital and reserves			
Called up share capital	14	2,020	2,020
Profit and loss account	15	2,539	2,701
Equity shareholders' funds	15	4,559	4,721

The accounts on pages 7 to 15 were approved by the Board of Directors on 14 August 2007 and were signed on its behalf by

Angus T Norman
Director



**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006**

	<i>Note</i>	2006 £000	2005 £000
Net cash inflow from continuing operating activities	16a	3,677	1,255
Returns on investments and servicing of finance			
Interest received		87	73
Interest paid		-	(1)
Net cash inflow from returns on investments and servicing of finance		87	72
Taxation			
UK corporation tax		(485)	(330)
Net cash outflow from taxation		(485)	(330)
Capital expenditure and financial investment			
Purchase of fixed assets		(157)	(35)
Net cash outflow from capital expenditure		(157)	(35)
Net cash inflow before financing		3,122	962
Financing			
Equity dividend paid		(1,453)	(1,134)
Net cash outflow from financing		(1,453)	(1,134)
Increase/(decrease) in cash		1,669	(172)

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET CASH
FOR THE YEAR ENDED 31 DECEMBER 2006**

	<i>Note</i>	2006 £000	2005 £000
Increase/(decrease) in cash		1,669	(172)
Net cash at 1 January 2006		1,266	1,438
Net cash at 31 December 2006	16b	2,935	1,266

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 law and 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 over the shorter of their estimated useful economic lives or the period remaining to the date of expiry of the contract on 27 July 2010. The estimated useful economic lives of each major class of asset are:

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 nor eliminated by capital losses, and
- 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 and supply of heat

3. Operating profit

	2006	2005
	£000	£000
This is stated after charging		
Depreciation of fixed assets – owned	830	813

In 2006 an amount of £10,000 (2005 £10,000) was payable to Deloitte & Touche LLP for audit services relating to the Company. Auditors' remuneration was borne in both years by EDF Energy plc

4 Directors' emoluments

None of the Directors received any remuneration from the Company during or in respect of the year or the preceeding year. Each of them has been nominated either by EDF Energy plc or by ATCO Power Generation Limited

No Directors held any interests in the shares or debentures of the Company in either year

The Company employed no staff in either year

5 Interest receivable and similar income

	2006	2005
	£000	£000
Other interest receivable – bank deposits	92	73

6. Interest payable and similar charges

	2006	2005
	£000	£000
Other interest payable – bank interest	1	1

NOTES TO THE FINANCIAL STATEMENTS Continued

7. Tax on profit on ordinary activities

(a) Analysis of tax charge in the year

UK current tax

	2006 £000	2005 £000
UK corporation tax charge on profit for the year	735	485
Adjustment in respect of prior years	-	(28)
Total current tax charge (Note 7(b))	735	457

UK deferred tax

	2006 £000	2005 £000
Origination and reversal of timing differences	(170)	(148)
Total deferred tax credit	(170)	(148)
Total tax charge on profit on ordinary activities	565	309

(b) Factors affecting tax charge for the year

	2006 £000	2005 £000
The tax assessed for the period is higher than the standard rate of corporation tax in the UK (30%)		
The differences are explained below		
Profit on ordinary activities before tax	1,856	1,096
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 30%)	557	329
Effect of		
Disallowed expenses	8	8
Capital allowances lower than depreciation	170	148
Adjustment in respect of prior years	-	(28)
Current tax charge for the period	735	457

NOTES TO THE FINANCIAL STATEMENTS Continued

8 Tangible fixed assets

	Plant and machinery £000	Lease premium £000	IT equipment £000	Total £000
Cost				
At 1 January 2006	10,481	1,390	80	11,951
Additions	157	-	-	157
At 31 December 2006	10,638	1,390	80	12,108
Depreciation				
At 1 January 2006	7,148	966	80	8,194
Charge for the year	737	93	-	830
At 31 December 2006	7,885	1,059	80	9,024
Net book value				
At 31 December 2006	2,753	331	-	3,084
At 31 December 2005	3,333	424	-	3,757

9 Stock

	2006 £000	2005 £000
Raw materials and consumables	220	263
	220	263

There is no material difference between the balance sheet value of stock and its replacement value

10. Debtors

	2006 £000	2005 £000
Debtors, amounts falling due within one year		
Trade debtors	116	928
Other debtors	4	-
Prepayments and accrued income	1,053	699
	1,173	1,627

NOTES TO THE FINANCIAL STATEMENTS Continued

11. Creditors. amounts falling due within one year

	2006	2005
	£000	£000
Trade creditors	8	15
Corporation tax	735	485
Other taxation and social security	108	114
Accruals and deferred income	1,370	724
Other creditors	4	56
	2,225	1,394

12 Provisions for liabilities

The movements in provisions during the current year are as follows

	At 1 January 2006 £000	Arising during the year £000	At 31 December 2006 £000
Deferred tax	798	(170)	628

Deferred taxation provided in the financial statements is as follows

	2006	2005
	£000	£000
Accelerated capital allowances	628	798

13 Dividends

	2006	2005
	£000	£000
Amounts recognised as distributions to equity holders in the period		
Interim dividend for the year ended 31 December 2005 of 50 3p paid in 2006 (2005 42 1p) per share	1,017	850
Interim dividend for the year ended 31 December 2005 of 21 6p paid in 2006 (2005 14p) per share	436	283
	1,453	1,134

14. Share capital

Authorised

	2006	2005	2006	2005
	Number	Number	£000	£000
Ordinary shares of £1 each	3,000,000	3,000,000	3,000	3,000

Allotted, called up and fully paid

	2006	2005	2006	2005
	Number	Number	£000	£000
Ordinary shares of £1 each	2,020,000	2,020,000	2,020	2,020

NOTES TO THE FINANCIAL STATEMENTS Continued

15 Reconciliation of equity shareholders' funds and movement on reserves

	Share capital £000	Profit and loss account £000	Total share- holders' funds £000
At 1 January 2005	2,020	3,048	5,068
Profit for the year	-	787	787
Ordinary dividend	-	(1,134)	(1,134)
At 31 December 2005	2,020	2,701	4,721
Profit for the year	-	1,291	1,291
Ordinary dividend	-	(1,453)	(1,453)
At 31 December 2006	2,020	2,539	4,559

16 Notes to the cash flow statement

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

	2006 £000	2005 £000
Operating profit	1,765	1,024
Depreciation of tangible fixed assets (see Note 8)	830	813
Decrease/(increase) in stocks	43	(128)
Decrease/(increase) in debtors	454	(700)
Increase in creditors	585	246
Net cash inflow from operating activities	3,677	1,255

b) Analysis of net cash

	At 1 January 2006 £000	Cash flows £000	At 31 December 2006 £000
Cash in hand	1,266	1,669	2,935

17. Related parties

The Company is owned 50% by EDF Energy (Energy Branch) plc and 50% by ATCO Power Generation Limited. The shareholders have joint control over the Company's operating and financial policies.

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 £196,000 (2005 £140,000). At 31 December 2006, £87,000 (2005 £32,000) was due to EDF Energy (London Heat and Power) Limited.