Registered number: 3229304

Viking Power Limited

Annual report and financial statements for the year ended 31 December 2006

Directors on 10th October 2007:	**J B Cheatham** **R Stevenson**
Secretary :	**I M Panton**

Registered Office . Moor Lane, Derby, DE24 8BJ

Contents

Directors' report

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report, for the year ended 31 December 2006

The directors' report has been prepared in accordance with the special provisions relating to small companies under section 246(4) of the Companies Act 1985

Principal activities

The principal activities of the company during 2006 comprised the generation of electricity from an independent power project

Business review

On 8 August 2006, the parent company, Rolls-Royce Power Ventures Ltd, undertook a share exchange to transfer 100% of its shareholdings in Viking Power Ltd, (held at cost of £2,193,437) to Rolls-Royce Power Development Limited - a wholly owned subsidiary of the company The consideration received by the company in exchange for the share transfer was 100 shares in Rolls-Royce Power Development Limited, valued at £100

On 31st March 2007 the trading activity of the company transferred to the parent company, Rolls-Royce Power Development Ltd The fixed assets were subsequently transferred at NBV on 30th June 2007

Dividends

No dividend was paid during the year (2005 £nil)

Directors

The directors, who served throughout the year except as noted, were as follows
J B Cheatham
C Forrest (Resigned 29th March 2007)
R Stevenson

Directors' indemnities

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 date of this report

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that

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

(2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself 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 section 234ZA of the Companies Act 1985

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting

Approved by the Board and signed on its behalf by

R Stevenson

Director
10th October 2007

Statement of directors' responsibilities in respect of the annual report and financial statements

The directors are responsible for preparing the Directors' Report and 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 of the company 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, subject to any material departures disclosed and explained in the financial statements, 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 its financial statements comply with the Companies Act 1985 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

Independent auditors' report to the members of Viking Power Limited

We have audited the financial statements (the "financial statements") of Viking Power Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds and the related notes These financial statements have been prepared under 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 on page number 5

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom 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

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its loss 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

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

8 Salisbury Square
London
EC4Y 8BB

10th October 2007

Profit and loss account

For the year ended 31 December 2006

	Notes	2006 £	2005 £
Turnover		2,173,892	1,605,343
Cost of sales		(1,600,371)	(1,562,710)
Gross profit		573,521	42,633
Administrative expenses		(323,137)	(280,563)
Operating profit / (loss)		250,384	(237,930)
Profit / (loss) on ordinary activities before finance charges		250,384	(237,930)
Finance charges (net)	2	(645,825)	(106,245)
Loss on ordinary activities before taxation	3	(395,441)	(344,175)
Tax on loss on ordinary activities	5	118,944	127,173
Loss on ordinary activities after taxation and loss for the financial year		(276,497)	(217,002)

All results have been derived from continuing activities

There were no recognised gains or losses in either the current year or the previous year, other than the loss for the year as shown above

Balance sheet
31 December 2006

	Notes	2006 £	2005 £
Fixed assets			
Intangible assets	6	352,448	174,391
Tangible assets	7	8,640,145	9,140,015
		8,992,593	9,314,406
Current assets			
Debtors			
- due within one year	8	762,424	856,574
Cash at bank and in hand		175,550	271,464
		937,974	1,128,038
Creditors Amounts falling due within one year	9	(519,782)	(292,332)
Net current assets		418,192	835,706
Total assets less current liabilities		9,410,785	10,150,112
Creditors Amounts falling due after more than one year	10	(15,250,000)	(16,100,882)
Provisions for liabilities and charges	11	(640,332)	(252,280)
Net liabilities		(6,479,547)	(6,203,050)
Capital and reserves			
Called-up share capital	12	100	100
Profit and loss account	13	(6,479,647)	(6,203,150)
Equity shareholders' funds	14	(6,479,547)	(6,203,050)

The financial statements on pages 9 to 16 were approved by the board of directors and signed on its behalf by

R Stevenson

Director

10th October 2007

1 Significant accounting policies

The principal accounting policies are summarised below

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, on the historical cost basis except where FRS requires an alternative treatment

The Company is exempt by virtue of section 228 of the Companies Act 1985 from the requirement to prepare group financial statements

As permitted by Financial Reporting Standard 1 "Cash flow statements" (Revised 1996), no cash flow statement has been prepared, as a consolidated cash flow statement has been prepared by the ultimate parent company

Changes in accounting policy

The following new standards relating to financial instruments have been adopted in full in these financial statements

FRS 23 (IAS 21) The Effects of Changes in Foreign Exchange Rates
FRS 25 (IAS 32) Financial Instruments Disclosure and Presentation
FRS 26 (IAS 39) Financial Instruments Measurement

The effect of the adoption of these standards has been nil

FRS 28 'Corresponding Amounts' has been adopted and corresponding amounts have been shown in the primary financial statements and the notes to the accounts where applicable

Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into sterling at the rate ruling at the year end Exchange differences arising on foreign exchange transactions and the retranslation of assets and liabilities into sterling at the rate ruling at the year end are taken into account in determining profit before taxation

Research and development

Research and development expenditure is written off as incurred

Financial instruments

FRS 26 requires the classification of financial instruments into separate categories for which the accounting requirement is different The company has classified its financial instruments as follows

– Fixed deposits, principally comprising funds held with banks and other financial institutions and trade receivables, are classified as held to maturity investments

– Investments (other than interests in joint ventures and fixed deposits) and short-term deposits (other than fixed deposits) are classified as available for sale

– Borrowings are classified as other liabilities

– Derivatives, comprising foreign exchange contracts and interest rate swaps are classified as held for trading

Financial instruments are initially measured at fair value Their subsequent measurement depends on their classification

– Held to maturity investments and other liabilities are held at amortised cost and not revalued unless they are included in a fair value hedge accounting relationship Where such a relationship exists, the instruments are revalued in respect of the risk being hedged If instruments held at amortised cost are hedged, generally by interest rate swaps, and the hedges are effective, the carrying values are adjusted for changes in fair value, which are included in the profit and loss account

– Available for sale assets are held at fair value Changes in fair value arising from changes in exchange rates are included in the profit and loss account All other changes in fair value are taken to equity On disposal of the related asset, the accumulated changes in value recorded in equity are included in the gain or loss recorded in the profit and loss account

– Held for trading instruments are held at fair value Changes in fair value are included in the profit and loss account unless the instrument is included in a cash flow hedge If the instruments are included in a cash flow hedging relationship, which is effective, changes in value are taken to equity When the hedged forecast transaction occurs, amounts previously recorded in equity are recognised in the profit and loss account

- Foreign exchange gains and losses arising on transactions are recognised in the profit and loss account

Interest

Interest receivable/payable is credited/charged to the profit and loss account using the effective interest method

Taxation

The tax charge on the profit or loss for the year comprises current and deferred tax

Provision for taxation is made at the current rate and for deferred taxation at the projected rate on all timing differences which have originated, but not reversed at the balance sheet date

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairments in value

Costs directly attributable to the construction of the plant have been included in tangible fixed assets The costs will be amortised over the life of the project

Depreciation is provided on a straight-line basis to write off the cost, less the estimated residual value, of property, plant and equipment over their estimated useful lives Estimated useful lives are as follows

Fixtures and fittings – computer equipment	3 years
Fixtures and fittings – other	5 years
Plant and Machinery	Over the length of the contract with a maximum of 20yrs

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material

2 Finance charges (net)

	2006	2005
	£	£
Interest receivable and similar income	30,586	10,846
Interest payable and similar charges	(676,411)	(117,091)
Finance charges (net)	(645,825)	(106,245)

3 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging

	2006	2005
	£	£
Depreciation of tangible fixed assets		
- owned	517,128	516,984

Audit fees have been borne by another group company

Fees paid to the company's auditor, KPMG Audit Plc, and its associates for services other than the statutory audit of the company are not disclosed in Viking Power Ltd's accounts since the consolidated accounts of Viking Power Ltd's ultimate parent, Rolls-Royce Group plc, are required to disclose non-audit fees on a consolidated basis For disclosure purposes, the element of that fee attributable to audit of these subsidiary accounts is £5,000

4 Staff costs and directors remuneration

The company had no employees during the year or in the preceding year

No remuneration has been received by the directors in respect of their services to the Company (2005 £Nil)

5 Tax on loss on ordinary activities

The tax charge comprises

	2006 £	2005 £
Current tax		
UK corporation tax		
Group relief receivable at 30%	(506,996)	(670,337)
Total current tax	(506,996)	(670,337)
Deferred tax		
Origination and reversal of timing differences	388,052	543,164
Total deferred tax (see note 11)	388,052	543,164
Total tax charge	(118,944)	(127,173)

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows

	2006 £	2005 £
Loss on ordinary activities before tax	(395,441)	(344,175)
Nominal charge at UK corporation tax rate of 30%	(118,632)	(103,253)
Income not taxable	(312)	(312)
Capital allowances in excess of depreciation for the period	(388,052)	(566,772)
Total current tax	(506,996)	(670,337)

6 Intangible fixed assets

	EU Emissions Trading Permits	Total
	£	£
Cost and valuation		
At 1 January 2006	174,391	174,391
Issued in the year	420,934	420,934
Utilised / disposed of in the year	(242,877)	(242,877)
At 31 December 2006	352,448	352,448

7 Tangible fixed assets

	Plant and machinery £	Total £
Cost or valuation		
At 1 January 2006	17,091,255	17,091,255
Additions	17,258	17,258
At 31 December 2006	17,108,513	17,108,513
Depreciation		
At 1 January 2006	(7,951,240)	(7,951,240)
Charge for the year	(517,128)	(517,128)
At 31 December 2006	(8,468,368)	(8,468,368)
Net book value		
At 31 December 2006	8,640,145	8,640,145
At 31 December 2005	9,140,015	9,140,015

The fixed assets were sold to the parent company, Rolls-Royce Power Development Limited on 30th June 2007 at net book value

8 Debtors

	2006 £	2005 £
Amounts falling due within one year		
Trade debtors	27,664	185,122
Amounts owed by group undertakings	205,000	1,015
Group relief receivable	506,996	670,337
Amounts owed by investing companies	100	100
Prepayments and accrued income	22,664	-
	762,424	856,574

9 Creditors: Amounts falling due within one year

	2006 £	2005 £
Trade creditors	8,040	2,992
Amounts owed to group undertakings	25,730	-
Other taxation and social security	5,222	21,918
EU Emissions Trading Scheme Government Grant	155,027	103,396
EU Emissions Trading Scheme liability	205,812	70,995
Accruals and deferred income	119,951	93,031
	519,782	292,332

10 Creditors: Amounts falling due after more than one year

	2006 £	2005 £
Amounts owed to group undertakings	15,250,000	16,100,882

11 Provisions for liabilities and charges

Deferred Taxation

	2006 £	2005 £
At beginning of year	252,280	(290,884)
Charged to profit and loss account	388,052	543,164
At end of year	640,332	252,280

Deferred tax

Deferred tax is provided as follows

	2006 £	2005 £
Accelerated capital allowances	933,214	545,162
Other timing differences	(292,882)	(292,882)
	640,332	252,280

12 Share capital

	2006 £	2005 £
Authorised		
100 ordinary shares of £1 each	100	100
Allotted		
100 ordinary share of £1 each	100	100

13 Reserves

	Profit and loss account £	Total £
At 1 January 2006	(6,203,150)	(6,203,150)
Loss for the financial year	(276,497)	(276,497)
At 31 December 2006	(6,479,647)	(6,479,647)

14 Reconciliation of movements in shareholders' funds

	2006	2005
	£	£
Opening shareholders' funds	(6,203,050)	(5,986,048)
Loss for the financial year	(276,497)	(217,002)
Closing shareholders' funds	(6,479,547)	(6,203,050)

15 Financial commitments

Capital commitments at the end of the year for which no provision are made are nil (2005 nil)

16 Related party transactions

The Company has taken advantage of the exemption in Financial Reporting Standard 8 not to disclose related party transactions with other group companies

17 Post Balance Sheet Event

On 31st March 2007 the trading activity of the company transferred to the parent company, Rolls-Royce Power Development Ltd The fixed assets were subsequently transferred at NBV on 30th June 2007

18 Ultimate Parent Company

The Company is a subsidiary undertaking of Rolls-Royce Group plc, incorporated in Great Britain The largest group in which the results of the Company are consolidated is that headed by Rolls-Royce Group plc The smallest group in which the results of the Company are consolidated is that headed by Rolls-Royce plc, incorporated in Great Britain
The consolidated accounts of these groups are available to the public and may be obtained from 65 Buckingham Gate, London, SW1E 6AT