

**CROYDON ENERGY LIMITED**  
(Registered Number : 3298376)

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**31 December 2004**



## CROYDON ENERGY LIMITED

### DIRECTORS' REPORT

The Directors present their Annual Report and the audited Financial Statements for the year ended 31 December 2004.

#### PRINCIPAL ACTIVITY

The principal activity of the business is to develop, arrange financing for and generate electricity from an independent power project.

#### REVIEW OF BUSINESS

No income has been received in the year, it is anticipated that the project will achieve commercial operation in 2005.

#### FINANCIAL REVIEW

The loss of the company was £525,850 (2003: loss £1,398,257). The Directors do not propose any dividend and consequently the full loss has been transferred to reserves.

#### DIRECTORS

The Directors who held office throughout the year were as follows:-

J B Cheatham (Chairman)

M Mencil (appointed 17 November 2004; resigned 23 December 2004)

R Stevenson

C Forrest

#### DIRECTORS' INTERESTS

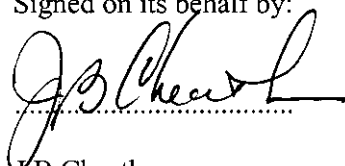
None of directors, or their immediate family, had any beneficial interest in the shares of the Company during the year. The beneficial interests of directors holding office at 31 December 2004, including immediate family, in the ordinary share capital of Rolls-Royce Group plc are as follows:

	Rolls-Royce Group plc Ordinary 20p Shares		Options over Rolls-Royce Group plc Ordinary Shares			
	Ordinary shares of 20p each as at 1 January 2004 or date of appointment if later	Ordinary shares of 20p each as at 31 December 2004	as at 1 January 2004 or date of appointment if later	Share options granted in 2004	Share options exercised in 2004	Total share options as at 31 December 2004
J B Cheatham	31,252	72,498	239,556	-	-	239,556
R Stevenson	-	637	5,838	-	-	5,838

None of the directors exercised any share options during the year.

Approved by the Board

Signed on its behalf by:



J B Cheatham  
01 March 2005

## **CROYDON ENERGY LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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 for that year. 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, subject to any material departures disclosed and explained in the financial statements;
- 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 maintaining 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 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 CROYDON ENERGY LIMITED**

We have audited the Financial Statements on pages 5 to 12.

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 auditor's 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 are responsible for preparing the Directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

### **Basis of audit opinion**

We conducted our audit in accordance with 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 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 accounts give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc  
Chartered Accountants  
Registered Auditor  
01 March 2005

8 Salisbury Square  
London  
EC4Y 8BB

# CROYDON ENERGY LIMITED

## PROFIT AND LOSS FOR THE YEAR ENDED 31 DECEMBER 2004

	Note	2004 £	2003 £
Turnover		-	-
Cost of Sales		(95,101)	(520,049)
Gross loss		(95,101)	(520,049)
Administrative expenses		(284,930)	26,145
Operating loss		(380,031)	(493,904)
Interest receivable and similar income		15,368	-
Interest payable and similar charges	4	(387,014)	(1,504,784)
Loss on ordinary activities before taxation		(751,677)	(1,998,688)
Tax on loss on ordinary activities	5	225,827	600,431
Retained loss for the year		(525,850)	(1,398,257)
Retained loss at 1 January		(9,898,942)	(8,500,685)
Accumulated loss at 31 December		(10,424,792)	(9,898,942)


The company has no recognised gains or losses during the year other than those passing through the profit and loss account.

**CROYDON ENERGY LIMITED**  
**BALANCE SHEET AT 31 DECEMBER 2004**

	Note	2004 £	2003 £
Fixed assets			
Tangible assets	6	9,943,363	4,042,699
Current assets			
Debtors	7	1,012,791	1,491,390
Cash at bank and in hand		1,017,171	32,040
Creditors			
Amounts falling due within one year	8	(1,923,116)	(41,254)
Net current assets		106,846	1,482,176
Total assets less current liabilities		10,050,209	5,524,875
Creditors			
Amounts falling due after one year	9	(20,175,000)	(15,423,816)
Provisions for liabilities and charges:			
Deferred Taxation	10	(300,000)	-
Net liabilities		(10,424,791)	(9,898,941)
Capital and reserves			
Called up share capital	12	1	1
Profit and loss account		(10,424,792)	(9,898,942)
Equity shareholders' funds		(10,424,791)	(9,898,941)

The notes on pages 7 to 12 form part of these financial statements.

These Financial Statements were approved by the Board of Directors on 01 March 2005 and were signed on its behalf by

  
J B Cheatham

**CROYDON ENERGY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**1. ACCOUNTING POLICIES**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's Financial Statements.

**(a) Basis of preparation**

The financial statements have been prepared in accordance with applicable accounting standards on the historical cost basis.

The Company is exempt from the requirement of FRS1(revised) to prepare a cash flow statement as it is a wholly-owned subsidiary of Rolls-Royce Group plc and its cash flows are included within the consolidated cash flow statement of that company.

Under FRS8 the company is exempt from the requirement to disclose related party transactions with the Rolls-Royce Group and its joint ventures on the grounds that it is a wholly owned subsidiary undertaking of Rolls-Royce Group plc.

The financial statements have been prepared on the going concern basis, notwithstanding net liabilities of £10,424,791 which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds provided to it by Rolls-Royce Power Ventures Limited, the company's intermediate holding undertaking. Rolls-Royce Power Ventures Limited has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

**(b) Cost capitalisation**

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

## **CROYDON ENERGY LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

#### **(c) Depreciation**

Fixed assets are depreciated on a straight line basis from the time that they are first brought into use as to write off their cost, less estimated residual value, on a monthly basis over the following years:

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

#### **(d) Taxation**

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.

#### **2. AUDIT FEE**

Audit fees have been borne by the parent company.

#### **3. EMOLUMENTS OF DIRECTORS**

The Company paid no emoluments to the directors in respect of their services during the year.

#### **4. INTEREST PAYABLE AND SIMILAR CHARGES**

Interest payable is to Rolls-Royce Power Ventures Limited, the immediate holding company of Croydon Energy Limited.



**CROYDON ENERGY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**5. TAXATION CHARGE ON LOSS ON ORDINARY ACTIVITIES**

	2004	2003
	£	£
Current tax:		
Group relief receivable at 30%	(994,827)	(1,017,431)
	<hr/>	<hr/>
Deferred tax – origination and reversal of timing differences	769,000	417,000
	<hr/>	<hr/>
Total tax charge	(225,827)	(600,431)
	<hr/>	<hr/>
Reconciliation of Tax Charge:		
Loss on ordinary activities before taxation	(751,677)	(1,998,688)
	<hr/>	<hr/>
Nominal credit at UK corporation tax rate of 30%	(225,503)	(599,607)
Capital allowances in excess of depreciation for the period	(769,324)	(417,824)
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Total current tax	(994,827)	(1,017,431)
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**CROYDON ENERGY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**6. TANGIBLE FIXED ASSETS**

	<b>Land &amp; Buildings</b>	<b>Assets in the course of construction</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<i>Cost</i>			
At beginning of year	477,341	13,851,364	14,328,705
Additions	-	5,900,664	5,900,664
	<hr/>	<hr/>	<hr/>
At end of year	477,341	19,752,028	20,229,369
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At beginning of year	-	(10,286,006)	(10,286,006)
Charge for the year	-	-	-
	<hr/>	<hr/>	<hr/>
At end of year	-	(10,286,006)	(10,286,006)
	<hr/>	<hr/>	<hr/>
<b>Net Book Value</b>			
<b>At 31 December 2004</b>	477,341	9,466,022	9,943,363
	<hr/>	<hr/>	<hr/>
<b>At 31 December 2003</b>	477,341	3,565,358	4,042,699
	<hr/>	<hr/>	<hr/>

**7. DEBTORS**

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Called up share capital not paid	1	1
Group relief receivable	994,827	1,017,431
Amounts owed by group undertakings	11,030	-
Other debtors	6,934	4,958
Deferred taxation (see Note 10)	-	469,000
	<hr/>	<hr/>
	1,012,791	1,491,390
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**CROYDON ENERGY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**8. CREDITORS: Amounts falling due within one year**

	2004 £	2003 £
Trade creditors	56,542	23,734
Amounts owed to group undertakings	1,850,000	-
Accruals	16,574	17,520
	<hr/> 1,923,116	<hr/> 41,254

**9. CREDITORS: Amounts falling due after one year**

	2004 £	2003 £
Amounts due to parent undertaking	20,175,000	15,423,816
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**10. PROVISIONS for liabilities and charges**

**Deferred Taxation**

	2004 £	2003 £
At beginning of year	469,000	886,000
Amount credited to Profit & Loss Account	(769,000)	(417,000)
	<hr/>	<hr/>
At end of year	(300,000)	469,000
	<hr/>	<hr/>

The analysis of the deferred tax (liability) / asset is as follows:

	2004 £	2003 £
Accelerated Capital allowances - Debtors	-	469,000
Accelerated Capital allowances - Provisions	(300,000)	-

The projected rate of deferred tax is 30%

# **CROYDON ENERGY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **11. COMMITMENTS**

Commitments at the end of the financial year, for which no provision has been made, are £4,625,000 (2003: £9,250,000).

### **12. SHARE CAPITAL**

	<b>Authorised</b>	<b>Allotted</b>
Shares of £1 each	100	1

### **13. RECONCILIATION OF SHAREHOLDERS' FUNDS**

	<b>2004 £</b>	<b>2003 £</b>
Shareholders' funds at beginning of year	(9,898,941)	(8,500,684)
Retained losses	(525,850)	(1,398,257)
Shareholders' funds at end of year	(10,424,791)	(9,898,941)

### **14. ULTIMATE HOLDING COMPANIES**

Rolls-Royce Group plc, a company registered in England & Wales, is the ultimate holding company and heads the group in which the results of the Company are consolidated. Rolls-Royce Power Ventures Limited, a company registered in England and Wales, is the immediate holding company. Copies of both companies' financial statements can be obtained from 65 Buckingham Gate, London SW1E 6AT.