

Magnolia Power (TPL)

Report and Financial Statements

for the 17 month period ended 31 May 2008

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COMPANIES HOUSE

Magnolia Power (TPL)

Registered No: 2579333

Directors

R D Thurston

R G Ward

Secretary

R D Thurston

Auditors

Ernst & Young LLP

1 Bridgewater Place

Water Lane

Leeds

LS11 5QR

Bankers

Bank of Scotland Corporate

3rd Floor

Earl Grey House

75 Grey Street

Newcastle upon Tyne

NE1 6EF

Registered office

Knowle Hill Park

Fairmile Lane

Cobham, Surrey

KT11 2PD

Directors' report

The directors present their report and the audited financial statements of the company for the 17 month period ended 31 May 2008.

Principal activities, business review and future developments

The company is a holding and management company. During the period it held shares in Teesside Power Limited and provided corporate and management services to it, in return for a shareholders' fee. Prior to the end of the period the company's interest in the shares of Teesside Power Limited was transferred by a dividend in specie to its parent, Teesside Power Holdings Limited.

Due to the nature of the business the directors do not measure any key performance indicators and do not consider there to be any risks or uncertainties.

On 19 March 2008 the company re-registered as an unlimited company.

Results and dividends

The company's profit for the period after taxation is £29,944,000 (2006 - £3,625,000). The directors have made the payment of a dividend in specie of £28,641,000 during the period, being 2,729,425,000 Teesside Power Limited ordinary shares, to Teesside Power Holdings Limited.

Directors

The directors, shown on page 1, were appointed on 15 May 2008. Previous directors K M Miller and G G Belonogoff, both resigned on 15 May 2008.

Disclosure of information to the auditors

As at the date of this report, as far as each director is aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken such steps as he should have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

A resolution to re-appoint Ernst & Young LLP will be proposed at the annual general meeting.

By order of the Board



R G Ward
Director

8 June 2009

Statement of directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

United Kingdom company law requires the directors to prepare accounts for each financial period. 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 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, 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 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.

Independent auditors' report

to the members of Magnolia Power (TPL)

We have audited the company's financial statements for the 17 month period ended 31 May 2008 which comprise the Profit and Loss Account, Statement of Total recognised gains and losses, the Balance Sheet and the related notes 1 to 12. 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 Annual Report and the financial statements in accordance with applicable United Kingdom law and 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 Magnolia Power (TPL) (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 May 2008 and of its profit for the 17 month period 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.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Leeds

10 July 2009

Profit and loss account

for the 17 months ended 31 May 2008

		<i>17 month period ended 31 May 08</i>	<i>12 month period ended 31 Dec 06</i>
	<i>Notes</i>	<i>£000</i>	<i>£000</i>
Operating expenses	2	(235)	(5)
Reversal of provision against fixed assets	3	28,641	-
Operating profit /(loss)		28,406	(5)
Income from fixed asset investments	4	569	4,712
Interest receivable		498	103
Profit on ordinary activities before taxation		29,473	4,810
Taxation credit/(charge) on profit on ordinary activities	5	471	(1,185)
Profit after tax for the financial period	11	29,944	3,625

All activities relate to continuing operations.

Statement of total recognised gains and losses

for the 17 month period ended 31 May 2008

	<i>17 month period ended 31 May 08</i>	<i>12 month period ended 31 Dec 06</i>
	<i>£000</i>	<i>£000</i>
Profit for the financial year	29,944	3,625
Other recognised gains and losses	-	-
Total recognised gains and losses for the financial period	29,944	3,625

Balance sheet

at 31 May 2008

	Notes	31 May 08 £000	31 Dec 06 £000
Fixed assets			
Investments	7	-	-
Current assets			
Debtors: amounts falling due within one year	8	177	3,548
Cash at bank		7,249	3,062
		7,426	6,610
Creditors: amounts falling due within one year	9	(831)	(1,318)
Net current assets and net assets		6,595	5,292
Capital and reserves			
Called up share capital	10	-	41,000
Profit and loss reserve	11	6,595	(35,708)
Total shareholders' funds		6,595	5,292

Signed on behalf of the Board



R G Ward
Director
8 July 2009

Notes to the financial statements

at 31 May 2008

1. Accounting policies

Basis of preparation

The financial statements are prepared on the going concern basis, under the historical cost convention, in accordance with the Companies Act 1985 and applicable United Kingdom accounting standards, all of which have been consistently applied. The principal accounting policies are set out below.

Fixed asset investments

Fixed asset investments are stated at original cost plus subsequent loans advanced or amounts invested. Provision is made for any impairment in the value of investments.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred Tax: Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that have occurred at that date will result in an obligation to pay more, or a right to pay less or receive more tax. Deferred tax assets are recognised only to the extent that the directors consider that it is likely that taxable profits will be available against which future reversals of the underlying timing differences can be made. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences are expected to reverse. These are based on tax rates and laws substantively enacted at the balance sheet date.

Cash flow statement

The company has taken advantage of the exemption in FRS1 from the requirement to produce a cash flow statement because 90% or more of the voting rights are controlled by Cargill Incorporated, the group accounts of which include this company and are publicly available.

Related party transactions

As permitted by paragraph 3(c) of FRS 8, the company has taken advantage of the exemption for 90% subsidiaries not to disclose related party transactions with other group entities.

2. Operating expenses

Operating expenses include £5,000 for auditors' remuneration for audit services (2006 - £5,000).

The emoluments of the directors were paid in both years by the parent undertaking, Cargill Incorporated, a company incorporated in the USA, of which the company is a subsidiary, and which makes no recharge to the company. They are directors of other group undertakings and it is not possible to make an accurate apportionment of their emoluments in respect of each group undertaking. Accordingly no emoluments in respect of the directors are disclosed in this company and their total emoluments are disclosed in the financial statements of Cargill Incorporated.

The company has no employees (2006 - nil).

3. Reversal of provision against fixed assets

Fixed asset investments have been provisioned against in previous periods since there was high uncertainty in the recoverability of their carrying values. Since the fair value of the investment increased above that carrying value in the year, the impairment provision was reversed.

Notes to the financial statements

at 31 May 2008

4. Income from fixed asset investments

	<i>17 month period ended 31 May 08 £000</i>	<i>12 month period ended 31 Dec 06 £000</i>
Shareholder management fees	569	4,712

The shareholder management fees are receivable from Teesside Power Limited in respect of corporate and management services provided by the company as a shareholder.

5. Tax on profit on ordinary activities

	<i>17 month period ended 31 May 08 £000</i>	<i>12 month period ended 31 Dec 06 £000</i>
Current tax:		
UK corporation tax charge on profit for the period	-	942
UK corporation tax credit on profit for prior years	-	(15)
Charge for current year group relief	-	250
Charge for prior year group relief	-	8
Write off previous year tax creditor	(471)	-
Tax (credit)/charge on profit on ordinary activities	(471)	1,185

The difference between the tax (credit)/charge on the profit on ordinary activities for the period and the tax assessed on the profit on ordinary activities for the period assessed at the standard rate of corporation tax in the UK of 29.77% (2006 - 30%) can be explained as follows:

	<i>17 month period ended 31 May 08 £000</i>	<i>12 month period ended 31 Dec 06 £000</i>
Profit on ordinary activities	29,473	4,810
Tax on profit on ordinary activities before tax at 29.77% (2006 - 30%)	8,774	1,443
Effects of:		
Current year group relief	-	(250)
Write back investments	(8,526)	-
Brought forward losses utilised	(248)	-
Write off previous year tax creditor	(471)	(8)
Current (credit)/charge for the period	(471)	1,185

Notes to the financial statements

at 31 May 2008

5. Tax on profit on ordinary activities (continued)

No deferred tax asset has been recognised for tax losses which are not expected to be utilised in the foreseeable future. The total amount unprovided in respect of these losses is £7,326,000 (2006 - £8,099,000).

6. Dividends

The company has distributed £28,641,000 to its parent during the period, namely its shares in Teesside Power Limited.

7. Fixed asset investments

The following is included in fixed asset investments:

	£000
Cost:	
At 31 December 2006	28,641
Disposals	(28,641)
	<hr/>
At 31 May 2008	-
	<hr/>
Provisions:	
At 31 December 2006	(28,641)
Amount released in the period	28,641
	<hr/>
At 31 May 2008	-
	<hr/>
Net book value:	
At 31 May 2008	-
	<hr/>
	<hr/>
At 31 December 2006	-
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The shares previously held in Teesside Power Limited were distributed during the 17 month period ended 31 May 2008 to Teesside Power Holdings Limited.

8. Debtors: amounts falling due within one year

	31 May 08 £000	31 Dec 06 £000
Amounts owed by group undertakings	145	218
Accrued income	32	3,330
	<hr/>	<hr/>
	177	3,548
	<hr/>	<hr/>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

Notes to the financial statements

at 31 May 2008

9. Creditors: amounts falling due within one year

	31 May 08 £000	31 Dec 06 £000
Amounts owed to fellow group undertakings	782	311
Accruals and deferred income	5	5
Corporation tax	44	1,002
	<u>831</u>	<u>1,318</u>

10. Share capital

	31 May 08 £	31 Dec 06 £
<i>Authorised</i>		
50,000,000 ordinary shares of £1 each	50,000,000	50,000,000
	<u>50,000,000</u>	<u>50,000,000</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	2	41,000,000
	<u>2</u>	<u>41,000,000</u>

For details on the share capital reduction see note 11 below.

11. Reconciliation of movements in shareholders' funds

	Share capital £000	Profit and loss account £000	Total £000
At 1 January 2006	41,000	(39,333)	1,667
Profit for the year ended 31 December 2006	-	3,625	3,625
At 31 December 2006	<u>41,000</u>	<u>(35,708)</u>	<u>5,292</u>
Profit for the period ended 31 May 2008	-	29,944	29,944
Capital reduction	(41,000)	41,000	-
Dividend (note 6)	-	(28,641)	(28,641)
At 31 May 2008	<u>-</u>	<u>6,595</u>	<u>6,595</u>

The share capital was reduced by £40,999,998 on the 19 March 2008. 40,999,998 of £1 ordinary shares were extinguished on this date.

Company members agreed for the company to re register as an unlimited company on the 18 March 2008 and the change was processed on Companies House records on 19 March 2008.

Notes to the financial statements

at 31 May 2008

12. Parent undertaking

The company's immediate parent undertaking is Teesside Power Holdings Limited which is incorporated in England and Wales.

The company has taken advantage of the exemption granted under Section 228 of the Companies Act 1985, which permits the company not to prepare group accounts, as the company is a wholly owned subsidiary of Cargill Incorporated, a company incorporated in the USA, and whose consolidated financial statements are lodged with Companies House.