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Marchwood Power Development Limited

Directors' report and
financial statements

Year ended 31 December 2005



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Marchwood Power Development Limited

Directors' report and financial statements

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Marchwood Power Development Limited

Directors and other information

Directors

K. McNamara
P. Fenlon
J. Redmond
A. Markey (resigned 28 September 2005)
S. Ward (appointed 28 September 2005)

Secretary

M. O'Brien

Auditors

KPMG
Chartered Accountants
1 Stokes Place
St. Stephen's Green
Dublin 2
Ireland

Solicitors

ESB Legal Services
27 Lower Fitzwilliam Street
Dublin 2
Ireland

Registered office

165 Victoria Street
London
EC4V 4DD

Registered number

4182868

Marchwood Power Development Limited

Directors' report

The directors submit herewith their report and audited financial statements for the year ended 31 December 2005.

Principal activities, business review and future developments

The principal activity of the company was the development of power projects. On 30 January 2004 ESBII UK Limited acquired the entire issued share capital of Marchwood Power Development Limited. Since that time the company has been dormant. ESBII UK Limited also acquired a fellow subsidiary company, Marchwood Power Limited on the same date. Marchwood Power Limited is involved in the development of an 860 MW gas fired power plant in Southampton, UK.

The directors anticipate the company to remain a dormant company for the foreseeable future.

Results and dividends

The results of the company for the financial period ended 31 December 2005 are detailed on page 8. The directors do not recommend the payment of a dividend.

Directors and secretary

Details of the directors are set out on page 1. On 28 September 2005 Ann Markey resigned as a director of the company and Suzanne Ward was appointed to the board.

The directors who held office at 31 December 2005 had no interests in the shares of the company or group companies, other than their entitlements under ESB ESOP.

Post balance sheet events

There have been no significant events affecting the company since the year end.

Political and charitable donations

The company made no political or charitable donations during this year.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware: and each director has taken the steps that ought to have been taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Marchwood Power Development Limited

Directors' report *(continued)*

Auditors

A resolution for the re-appointment of KPMG, Chartered Accountants, will be proposed at the Annual General Meeting.

On behalf of the board

A handwritten signature in black ink, appearing to read "Michael O'Brien". The signature is fluid and cursive, with the first name "Michael" and the last name "O'Brien" clearly distinguishable.

M.O'Brien
Secretary

Marchwood Power Development Limited

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

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulation.

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.

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:

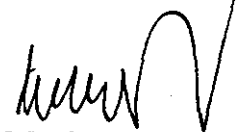
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 which 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 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.

On behalf of the board



P. Fenlon
Director



J. Redmond
Director

Independent auditors' report to the members of Marchwood Power Development Limited

We have audited the financial statements for the year ended 31 December 2005 which comprise the Profit and loss account, the Balance sheet and the related notes. These financial statements have been prepared under 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 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

As described in the statement of directors' responsibilities on page 4, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 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 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 Marchwood Power Development Limited (*continued*)

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 affairs of the company as at 31 December 2005 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act, 1985.

KPMG
Chartered Accountants
Registered Auditors
DUBLIN

6/4/06

Marchwood Power Development Limited

Statement of accounting policies

for the year ended 31 December 2005

The following accounting policies have been applied consistently, in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared under the historical cost convention and comply with all relevant accounting standards. The currency used in these statements is the Pound Sterling (Stg£).

Taxation

Corporation tax payable is provided on taxable profits at current rates.

Deferred taxation

Deferred tax is recognised in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Deferred tax assets are recognised to the extent they are regarded as recoverable. These are regarded as recoverable to the extent that, on the basis of all available evidence, it is regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Cash flow statement

A cash flow statement is not presented as required by Financial Reporting Standard 1 because the directors have decided to avail of the exemption available to companies whose ultimate EU parent proposed to publish a consolidated cash flow statement in the prescribed format for the relevant accounting period.

Related party transactions

The company has availed of the exemption available under FRS 8 - *Related Party Disclosures*, from disclosing transactions with group undertakings. Details of the availability of consolidated financial statements are set out in note 8 below.

Marchwood Power Development Limited

Profit and loss account for the year ended 31 December 2005

		Year ending 31 December 2005 Stg£'000	18 month period ending 31 December 2004 Stg£'000
	<i>Note</i>		
Administrative expenses	1	-	73
		<hr/>	<hr/>
Operating profit		-	73
Waiver of intercompany loans	2	-	3,182
		<hr/>	<hr/>
Profit on ordinary activities before taxation		-	3,255
Taxation on profit on ordinary activities	4	-	-
		<hr/>	<hr/>
Profit for the financial year/period attributable to equity shareholders		-	3,255
Profit and loss account at beginning of year/period		-	(3,255)
		<hr/>	<hr/>
Profit and loss account at end of year/period		-	-
		<hr/>	<hr/>

The company had no gains or losses other than those shown above in the financial year or preceding financial period and accordingly no statement of total recognised gains and losses is presented.

On behalf of the board

P. Fenlon 6/4/06

P. Fenlon
Director

J. Redmond

J. Redmond
Director

Marchwood Power Development Limited

Balance sheet

As at 31 December 2004

	Note	2005 Stg£'000	2004 Stg£'000
Current assets			
Debtors		-	-
Cash at bank		-	-
		<hr/>	<hr/>
		-	-
Creditors: amounts falling due within one year		-	-
		<hr/>	<hr/>
Net current liabilities		-	-
		<hr/>	<hr/>
Net assets		-	-
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	5	-	-
Profit and loss account		-	-
		<hr/>	<hr/>
Shareholders' funds	6	-	-
		<hr/>	<hr/>

Approved by the board of directors on

P. Fenlon 6/4/06

P. Fenlon
Director

J. Redmond

J. Redmond
Director

Marchwood Power Development Limited

Notes

forming part of the financial statements

1 Administrative expenses

	Year ending 31 December 2005 Stg£'000	18 month period ending 31 December 2004 Stg£'000
Administrative expenses	-	(63)
Miscellaneous write offs	-	(14)
Write off of residual balances	-	150
	-	73

2 Waiver of intercompany loan

	Year ending 31 December 2005 Stg£'000	18 month period ending 31 December 2004 Stg£'000
Amounts due to Aquila Energy waived	-	3,182

As part of the Share Purchase Agreement and related agreements entered into between the Aquila Energy group and ESBII UK Limited for the purchase of the company in the 2004 financial period, all amounts due by the company to Aquila Energy group have either been discharged directly by ESBII UK Limited or waived by the Aquila Energy group. Consequently these amounts have been written back to the profit and loss account of the company during the 18 month period ending 31 December 2004.

3 Employees

The company had no employees during the year to 31 December 2005.

4 Taxation on profit on ordinary activities

No tax charge has arisen in the period as the company earned no taxable profits.

Marchwood Power Development Limited

Notes (continued)

5 Called up share capital

	2005 Stg£	2004 Stg£
<i>Authorised</i>		
100 ordinary shares of Stg£1 each	100	100
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
<i>Equity shares</i>		
2 ordinary shares of Stg£1 each	2	2
	<hr/>	<hr/>

6 Reconciliation of movement in shareholders' funds

	Year ending 31 December 2005 Stg£'000	18 month period ending 31 December 2004 Stg£'000
Total recognised gains and losses for the year/period	-	3,255
Opening shareholders' funds - equity	-	(3,255)
	<hr/>	<hr/>
Closing shareholders' funds - equity	-	-
	<hr/>	<hr/>

7 Related party transactions

The company has availed of the exemption available under FRS 8 - *Related Party Disclosures* from disclosing details of transactions with group companies. Details of the availability of the financial statements are set out in note 8 below.

8 Group membership

At the end of the year, the company is a wholly owned subsidiary of ESBII UK Limited a company incorporated and operating in England and Wales, of which Electricity Supply Board, established and operating in Ireland, is the ultimate parent.

The smallest and largest group into which the company's financial statements are consolidated is that headed by Electricity Supply Board. The financial statements of Electricity Supply Board are available at 27 Fitzwilliam Street, Dublin 2, Ireland.

9 Approval of financial statements

The board of directors approved the financial statements on

6/4/06

ESBII UK Limited

Directors' report and
financial statements

Year ended 31 December 2005