

POWER FROM WASTE LIMITED

Directors

P.N. Jackson
D.E.F. Simons
D.R. Wilson
J. Pebworth
A.R. Ellis

Secretary

J.R. Probert

Registered Office and Head Office

234 Bath Road, Slough, SL1 4EE

Registered Number

2902302

REPORT OF THE DIRECTORS

The directors submit their annual report and financial statements for the year ended 31st December 1997 which were approved by the board on 20th March 1998.

Business of the Company

The principal activities of the company are as an investment company for waste to energy projects and fuel manufacturing ventures.

Results and Dividends

The results for the year ended 31st December 1997 are set out in the attached financial statements. The loss for the year on ordinary activities after providing for taxation is £77,000 (1996: loss of £77,000). The directors do not recommend payment to shareholders of a dividend.

Taxation

Slough Estates plc has assumed the responsibility for discharging any liability for United Kingdom corporation tax, current or deferred, so long as the company remains a member of the Group.

Directors

The present directors of the company, all of whom served throughout the year unless stated otherwise, are as shown above.

Directors' Interests

None of the directors who were in office at 31st December 1997 had an interest in the shares of the company during the year.

The interests of D.E.F. Simons and D.R. Wilson in the shares of the ultimate holding company, Slough Estates plc, are disclosed in the financial statements of that company.

The interests of P.N. Jackson, J. Pebworth and A.R. Ellis in the shares of Slough Estates plc are set out below:

Ordinary Shares

	<u>Other interests</u>		<u>Own Holdings</u>		<u>Under Option</u>	
	<u>31.12.97</u>	<u>1.1.97</u>	<u>31.12.97</u>	<u>1.1.97</u>	<u>31.12.97</u>	<u>1.1.97</u>
P.N. Jackson	--	--	5,549	5,154	42,949	80,270
J.Pebworth	--	--	4,435	3,341	19,362	29,435
A.R. Ellis	--	--	754	--	21,141	--

The shares under option are at option prices ranging from 210.5p to 271.5p expiring on various dates up to 3rd April 2007.



Details of shares sold or options that were exercised by P.N.Jackson, J.Pebworth and A.Ellis are as follows:

Ordinary Shares

	<u>Other interests</u>		<u>Own Holdings</u>		<u>Under Option</u>		
	<u>Date</u>	<u>Number of Shares Sold</u>	<u>Date</u>	<u>Number of Shares Sold</u>	<u>Date</u>	<u>Number of Shares</u>	
P.N.Jackson	--	--	5.6.97	1,397	2.4.97	26,307	Option lapsed. Option exercised and shares sold.
			10.12.97	2,761	8.4.97	18,942	
J.Pebworth	--	--	--	--	15.1.97	6,337	Option exercised and shares subsequently sold. Option exercised and shares subsequently sold. Option exercised and shares subsequently sold.
					30.4.97	1,800	
					2.9.97	10,747	
A.Ellis	--	--	--	--	--	--	

Slough Estates plc has operated an approved SAYE share option scheme since 1981. Savings contracts can be for a three, five or seven year period. The following are details of the options held by P.N. Jackson, J. Pebworth and A.R. Ellis:

Own Interests

	<u>Date of Grant</u>	<u>Maturity Date</u>	<u>Option Price (p)</u>	<u>Number of Shares</u>
P.N. Jackson	22.4.96	7.5.2003	160.99	2,422
	2.10.96	1.10.2001	188.64	1,828
	1.5.97	1.5.2002	230.4	1,497
J. Pebworth	22.4.96	7.5.2001	160.99	6,428
	2.10.96	1.10.1999	188.64	1,033
	1.5.97	1.5.2002	230.4	1,497
A.R. Ellis	11.9.95	2.10.2000	178.96	385
	22.4.96	7.5.2001	160.99	1,714
	2.10.96	1.10.2001	188.64	365
	1.5.97	1.5.2002	230.4	299
	22.9.97	1.10.2002	257.6	267

During the year the share price ranged between a high of 376p and a low of 261p.

Payment of Suppliers

It is the company's payment policy, in respect of all suppliers, to settle agreed outstanding accounts in accordance with terms and conditions agreed with suppliers when placing orders.

Trade creditors as a proportion of amounts invoiced by suppliers represents 26 days at 31st December 1997.

Auditors

An elective resolution to dispense with the annual requirement to reappoint the auditors was approved at a previous annual general meeting.

By Order of the Board

J.R. Probert

J.R. PROBERT
Secretary

POWER FROM WASTE 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 the 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 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.

REPORT OF THE AUDITORS TO THE MEMBERS OF**POWER FROM WASTE LIMITED**

We have audited the financial statements on pages 4 to 9.

Respective responsibilities of directors and auditors

As described above, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31st December 1997 and of its loss and total recognised loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

COOPERS & LYBRAND
Chartered Accountants and Registered Auditors
READING

21 April 1998.

POWER FROM WASTE LIMITEDPROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 1997

	<u>Notes</u>	<u>1997</u> <u>£000's</u>	<u>1996</u> <u>£000's</u>
Turnover	2	2	--
Operating expenses - administration		(15)	(38)
OPERATING LOSS		(13)	(38)
Interest payable to a group undertaking	6	(73)	(63)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(86)	(101)
Taxation	7	9	24
LOSS FOR THE YEAR	12	(77)	(77)

All company operations for the year are continuing.

The turnover and loss on ordinary activities all arise in the United Kingdom.

The notes on pages 7 to 9 form part of these financial statements.

POWER FROM WASTE LIMITEDSTATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	<u>1997</u> <u>£000's</u>	<u>1996</u> <u>£000's</u>
Loss for the financial year	(77)	(77)
Unrealised deficit on revaluation of investments	(401)	--
	<hr/>	<hr/>
Total recognised loss relating to the year	<u>(478)</u>	<u>(77)</u>

POWER FROM WASTE LIMITED
BALANCE SHEET AS AT 31ST DECEMBER 1997

	<u>Notes</u>	<u>1997</u> <u>£000's</u>	<u>1996</u> <u>£000's</u>
FIXED ASSETS			
Investments	8	1,349	1,550
CURRENT ASSETS			
DEBTORS			
- Amounts due within one year	9	9	--
- Amounts due after one year	9	40	--
TOTAL ASSETS		<u>1,398</u>	<u>1,550</u>
CAPITAL AND RESERVES			
Called up share capital	10	--	--
Capital reserve	11	(401)	--
Profit and loss account	12	(210)	(133)
Equity shareholders' funds	13	<u>(611)</u>	<u>(133)</u>
CREDITORS			
Amounts falling due after more than one year	14	2,009	1,683
		<u>1,398</u>	<u>1,550</u>

The financial statements were approved by the Board of Directors on 20th March 1998 and were signed on its behalf by:-



P.N. Jackson
Director

The notes on pages 6 to 9 form part of these financial statements.

POWER FROM WASTE LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1. **Principal Accounting Policies**

a) **Basis of Preparation of Financial Statements**

These financial statements have been prepared on the basis of historical costs and in accordance with applicable Accounting Standards.

b) **Investment in Subsidiaries and Associates**

Investments in subsidiaries are stated at cost less any adjustment for temporary or permanent diminution in value.

c) **Deferred Taxation**

No provision for deferred United Kingdom taxation has been made, nor is any contingent liability disclosed, as any such liability will be discharged by Slough Estates plc (1996-NIL).

d) **Cash Flow Statement**

The company is a wholly owned subsidiary of Slough Estates plc and the cash flows of the company are included in the consolidated group cash flow statement of Slough Estates plc. Consequently the company is exempt under the terms of Financial Reporting Standard No. 1 (Revised 1996) from publishing a cash flow statement.

e) **Transactions with Group Companies**

The company has taken advantage of the exemption allowed by FRS8 from disclosing transactions with other group companies.

2. **Turnover**

Turnover consists of recharges to Fibre Fuel Limited.

3. **Employees**

There are no employees directly employed by the company.

4. **Audit Fees**

Audit fees are borne by Slough Heat & Power Limited.

5. **Directors' Remuneration**

The remuneration of D R Wilson and D E F Simons are disclosed in the financial statements of Slough Estates plc, the ultimate holding company. The remuneration of P N Jackson and J Pebworth are disclosed in the financial statements of Slough Heat & Power Limited, the immediate parent company. Aggregate emoluments were £47,748 for 1997 (1996-£7,401).

6. **Interest**

	<u>1997</u> <u>£000's</u>	<u>1996</u> <u>£000's</u>
Interest payable to parent company	73	63

7. Taxation Credit

Provision for taxation based on result for the year:

	<u>1997</u> <u>£000's</u>	<u>1996</u> <u>£000's</u>
Corporation tax at 31.5% (1996:33%)	--	24
Under provision in respect of prior year	9	--
	<u>9</u>	<u>24</u>

Any United Kingdom corporation tax liability which may arise and is not eliminated by the offset of group relief and/or advance corporation tax, for neither of which payment will be made, will be discharged by the ultimate holding company, Slough Estates plc. No payment is made to the company in the event of losses being surrendered for group relief. Prior to 1997, the tax charge/credit was reflected in the company's accounts with the tax liability/benefit being transferred to the ultimate holding company.

8. Fixed Asset Investments

	<u>1997</u> <u>£000's</u>	<u>1996</u> <u>£000's</u>
Investments in Associate		
Shares	50	50
Loan (see Note 15)	1,700	1,500
Valuation deficit (see Note 11)	(401)	--
	<u>1,349</u>	<u>1,550</u>

The company has a 49.9% investment in the ordinary share capital of Fibre Fuel Limited, which is incorporated in Great Britain and whose principal activities are the processing of paper and plastic waste for use as fuel.

Investments in subsidiaries

During the year, the following companies were liquidated:-

Fibre Power (Avonmouth) Ltd
Avonmouth Energy Ltd
Fibre Power (Horwich) Ltd

The company continues to own the entire issued ordinary share capital of £100 of Fibre Power (Slough) Ltd, a company incorporated in Great Britain.

The company has taken advantage of the exemption provided by section 228 of the Companies Act 1985 from preparing consolidated accounts. Accordingly, the company is also exempt from providing the additional information for associates as required in SSAP1.

9. Debtors

	<u>1997</u> <u>£000's</u>	<u>1996</u> <u>£000's</u>
<u>Amounts due within one year</u>		
Amount due from group undertaking	9	--
	<u>9</u>	<u>--</u>
<u>Amounts due after one year</u>		
Amount due from group undertaking	40	--
	<u>40</u>	<u>--</u>

10. Called-up Share Capital

	<u>Authorised</u>		<u>Issued and Fully Paid</u>	
	<u>Number</u>	<u>£</u>	<u>Number</u>	<u>£</u>
Ordinary Shares of £1 each				
At 1st January and 31st December 1997	<u>100,000</u>	<u>100,000</u>	<u>100</u>	<u>100</u>

11. <u>Capital Reserve</u>	<u>1997</u>	<u>1996</u>
	<u>£000's</u>	<u>£000's</u>
Valuation deficit on investment in associate	401	--
	<u> </u>	<u> </u>

12. <u>Profit and Loss Account</u>	<u>1997</u>	<u>1996</u>
	<u>£000's</u>	<u>£000's</u>
Balance at 1st January 1997	(133)	(56)
Loss for the year	(77)	(77)
	<u> </u>	<u> </u>
Balance at 31st December 1997	(210)	(133)
	<u> </u>	<u> </u>

13. <u>Reconciliation of Movement In Shareholders' Funds</u>	<u>1997</u>	<u>1996</u>
	<u>£000's</u>	<u>£000's</u>
Shareholders' funds at 1 January 1997	(133)	(56)
Loss attributable to ordinary shareholders	(77)	(77)
Valuation deficit	(401)	--
	<u> </u>	<u> </u>
Shareholders' funds at 31st December 1997	(611)	(133)
	<u> </u>	<u> </u>

14. <u>Creditors due after more than one year</u>		
Amount due to parent undertaking	2,009	1,683
	<u> </u>	<u> </u>

15. **Related Party Transactions**

During the year the company made available funds of £200,000 in the form of interest free loan notes to Fibre Fuel Limited, a joint venture owned 49.9% by Power from Waste Limited and 50.1% by Wessex Waste Management Limited. At 31st December 1997 the total of interest free loans made to Fibre Fuel Limited was £1,700,000.

16. **Ultimate Holding Company and Controlling Party**

The company's ultimate holding company and controlling party is Slough Estates plc and its immediate parent company is Slough Heat & Power Limited. Copies of the consolidated accounts of Slough Estates plc can be obtained from 234 Bath Road, Slough, SL1 4EE.