

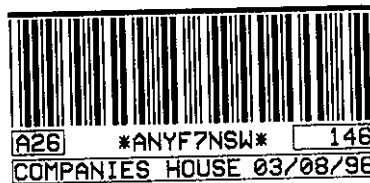
BIOGENERATION LIMITED

Financial statements for the period ended 31 March 1996

CONTENTS

Page

Directors' report	2 - 3
Auditor's report	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7 - 10



BIOGENERATION LIMITED

DIRECTORS AND ADVISORS

Directors

Mr S. V. Goalby (Chairman)
Mr I. D. Parker (Alternate)
Mr M. A. Read
Mr R. B. Tate
Mr G. R Thomas (Alternate)
Mr M. L. Yates

Auditors

Coopers & Lybrand
Cumberland House
35 Park Row
Nottingham
NG1 6FY

Secretary and registered office

Miss J. V. Dawes
East Midlands Electricity plc
PO Box 444
Woodyard Lane
Wollaton
Nottingham
NG8 1EZ

Bankers

Midland Bank plc
6 Victoria Street
Nottingham
NG1 2FF

Report of the Directors

The Directors present their report and audited Financial Statements for the period ended 31 March 1996.

Principal Activities and Business Review

The principal activity of the Company is the development, construction and subsequent operation of electricity generation projects.

During the year work commenced on the construction of generation facilities at four landfill gas sites owned by Biffa Waste Services a subsidiary of Severn Trent plc. These sites are:

Himley Wood, Dudley, West Midlands
Howden Clough, Morley, Leeds
Redhill, Surrey
Welford, Portley Ford, Welford, Northampton.

The electricity generated will be sold through the Non Fossil Purchasing Agency (NFPA) to the regional electricity company within whose boundary the site is situated.

The NFPA contracts were awarded to the Company under the third round of the Governments Non Fossil Fuel Obligation through which a premium sale price is available.

Good progress was made throughout the year and all four sites should be operational in 1996/97.

Results

The results of the Company for the year ended 31 March 1996 are shown in the attached financial statements together with the notes thereon.

The Company reported a loss for the year of £96,100 (1995 nil).

Subject to approval at the Annual General Meeting, the Directors do not recommend a dividend in respect of the year ended 31 March 1996.

Purchasing and Payments Policy

It is our policy to pay for goods and services supplied in line with the terms and conditions of purchase which we have negotiated and agreed with our suppliers.

Directors and their interests

The present Directors of the Company are as shown on page 1. There were no movements during the year.

None of the Directors in office at 31 March 1996 had any registered interests in the share and loan capital of the Company.

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

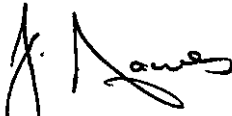
Statement of directors' responsibilities

The directors are required to present for each accounting period financial statements which comply with the provisions of the Companies Act 1985 and give a true and fair view of the state of affairs of the company as at the end of the accounting period and of its profit or loss for that period. In preparing the financial statements the directors are required to select suitable accounting policies, supported by reasonable and prudent judgements and estimates and to ensure these are consistently applied and that applicable accounting standards have been followed.

The directors are required to 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 also responsible for maintaining adequate accounting records and for safeguarding the assets of the company and for taking reasonable steps to prevent and detect fraud and other irregularities.

The directors confirm their compliance with these requirements.

Approved by the Board of Directors
& signed on its behalf by:-

A handwritten signature in black ink, appearing to read 'J. W. Dawes', is written over the printed name.

J. W. Dawes
Secretary

20 June 1996

Auditor's report to the members of Biogeneration Limited

We have audited the financial statements on pages 5 to 10.

Respective responsibilities of directors and auditors

As described on page 3 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.

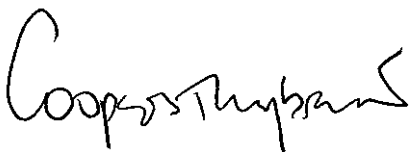
Basis of opinion

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 as at 31 March 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read 'Coopers & Lybrand', is written in a cursive, flowing style.

Coopers & Lybrand
Chartered Accountants and Registered Auditors
Nottingham

22 July 1996

BIOGENERATION LIMITED

Profit and loss account for the period ended 31 March 1996

	Note	1996	1995
Administrative expenses		(54.9)	-
OPERATING LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION	2	(54.9)	-
Net interest	3	(34.7)	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(89.6)	-
Taxation	5	(6.5)	-
RETAINED LOSS FOR THE FINANCIAL YEAR	14	(96.1)	-

All figures relate to continuing activities.

There were no recognised gains or losses other than the loss for the year.

There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above, and their historical cost equivalents.

BIOGENERATION LIMITED

Balance Sheet as at 31 March 1996

	Note	1996 £'000s	1995 £'000s
FIXED ASSETS			
Tangible assets	6	<u>2085.2</u>	<u>-</u>
		2,085.2	-
CURRENT ASSETS			
Debtors	7	18.6	-
Cash at Bank		<u>129.8</u>	<u>1.0</u>
		148.4	1.0
CREDITORS (amounts falling due within one year)	8	<u>(1,716.7)</u>	<u>-</u>
NET CURRENT LIABILITIES		(1,568.3)	1.0
TOTAL ASSETS LESS CURRENT LIABILITIES			
		516.9	1.0
CREDITORS (amounts falling due after more than one year)	9	<u>(612.0)</u>	<u>-</u>
NET ASSETS		<u>(95.1)</u>	<u>1.0</u>
CAPITAL AND RESERVES			
Called up share capital	13	1.0	1.0
Profit and loss account	14	<u>(96.1)</u>	<u>-</u>
EQUITY SHAREHOLDERS FUNDS	16	<u>(95.1)</u>	<u>1.0</u>

The accounts on pages 5 to 10 were approved by the Board of Directors on 20 June 1996 and were signed on its behalf by



S. V. GOALBY CHAIRMAN

Notes to the financial statements for the year ended 31 March 1996

1 Accounting Policies

These financial statements have been prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Basis of preparation

The financial statements have been prepared under the historical cost convention.

Turnover

Turnover represents income from the generation of electricity and is shown exclusive of Value Added Tax.

Development costs

Development costs are capitalised when recoverability can be assessed with reasonable certainty and amortised by equal instalments over the expected life of the project. No amortisation is provided during the development phase.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. The charge for depreciation is calculated to write off assets over their estimated useful lives. Assets in the course of construction are not depreciated.

Deferred taxation

Deferred taxation arises in respect of items where there is a timing difference between their treatment for accounting purposes and their treatment for taxation purposes. Provision for deferred taxation, using the liability method, is made to the extent that it is probable that the liability or asset will crystallise in the foreseeable future.

Cashflow Statement

The Company is exempt from the requirement to prepare a cashflow statement on the basis of its small company status.

2 Loss on ordinary activities before interest and taxation

	1996 £'000s	1995 £'000s
--	----------------	----------------

Loss on ordinary activities before interest and taxation is stated after charging:

Development expenditure written off	52.6	-
Auditors remuneration	2.3	-

3 Net Interest

	1996 £'000s	1995 £'000s
--	----------------	----------------

Interest payable on loans	(54.1)	-
Bank interest received	19.4	-
	(34.7)	-

4 Directors and Employees

The company has no employees

The Chairman and directors received no remuneration or fees in respect of the period ended 31 March 1996.

BIOGENERATION LIMITED

Notes to the financial statements for the year ended 31 March 1996

5 Taxation

	1996 £'000s	1995 £'000s
UK corporation tax at 33%	6.5	-

The tax charge relates to interest received in the year.

6 Tangible fixed assets

Plant & Machinery £'000s

Cost:

At 1 April 1995	-
Additions	2,085.2
Disposals	-
At 31 March 1996	<u>2,085.2</u>

Depreciation:

At 1 April 1995	-
Provision for the year	-
At 31 March 1996	<u>-</u>

Net book amount:

At 31 March 1996	<u>2,085.2</u>
------------------	----------------

At 31 March 1995	<u>-</u>
------------------	----------

7 Debtors

	1996 £'000s	1995 £'000s
Amounts falling due within one year:		
Other Debtors	18.6	-

8 Creditors falling due within one year

	1996 £'000s	1995 £'000s
Loans (note 11)	68.0	-
Amounts owed to related undertakings	362.3	-
Other taxation	46.9	-
Accruals and deferred income	1,233.0	-
Corporation tax	6.5	-
	<u>1,716.7</u>	-

9 Creditors falling due after more than one year

	1996 £'000s	1995 £'000s
Loans (note 11)	612.0	-

BIOGENERATION LIMITED

Notes to the financial statements for the year ended 31 March 1996

10 Deferred Taxation

	1996		1995	
	Asset Unprovided	Provision Made	Asset Unprovided	Provision Made
	£'000s	£'000s	£'000s	£'000s
Interest payable	17.8	-	-	-
Other timing differences	0.8	-	-	-
	<u>18.6</u>	<u>-</u>	<u>-</u>	<u>-</u>

11 Loans

	1996 £'000s	1995 £'000s
Loans	<u>680.0</u>	<u>-</u>
Loans are repayable as follows:		
In one year or less	68.0	-
Between one and five years	340.0	-
In five years or more	272.0	-
	<u>680.0</u>	<u>-</u>

The loans, from shareholders, are unsecured, interest bearing and are repayable over 10 years.
The average rate of interest applied during the period was 10%.

12 Called up share capital

	1996 £'000s	1995 £'000s
Authorised		
500 "A" ordinary shares of £1 each	0.5	0.5
500 "B" ordinary shares of £1 each	<u>0.5</u>	<u>0.5</u>
	<u>1.0</u>	<u>1.0</u>
Allotted, called up and fully paid		
500 "A" ordinary shares of £1 each	0.5	0.5
500 "B" ordinary shares of £1 each	<u>0.5</u>	<u>0.5</u>
	<u>1.0</u>	<u>1.0</u>

Both classes of shares have equal voting rights, entitlement to dividends and claim to any surplus on a winding up of the company.

13 Profit and Loss Account

	£'000s
At 1 April 1995	-
Retained loss for the year	<u>(96.1)</u>
At 31 March 1996	<u>(96.1)</u>

BIOGENERATION LIMITED**Notes to the financial statements for the year ended 31 March 1996****14 Commitments and contingent liabilities**

	1996 £'000s	1995 £'000s
--	----------------	----------------

Fixed asset expenditure commitments

Contracted for but not provided for in the financial statements
 Authorised by the directors but not yet contracted for

2,273.6	-
<u>-</u>	<u>4,474.0</u>

15 Reconciliation of movement in shareholders funds

	1996 £'000s	1995 £'000s
--	----------------	----------------

Loss for the financial year
 Opening shareholders funds
 New share capital issued

(96.1)	-
1.0	-
-	1.0
<u>(95.1)</u>	<u>1.0</u>

16 Ultimate Parent Undertakings

The Company is jointly owned by East Midlands Electricity Generation (Development) Ltd, a wholly owned subsidiary of East Midlands Electricity plc, and Severn Trent Power Generation Ltd, a wholly owned subsidiary of Severn Trent plc.

All companies are registered in England. Copies of the accounts of each respective parent company can be obtained from the following addresses:

The Company Secretary
 East Midlands Electricity plc
 P. O. Box 444
 Wollaton
 Nottingham
 NG8 1EZ

The Company Secretary
 Severn Trent plc
 2308 Coventry Road
 Birmingham
 B26 3JZ