

BIOGENERATION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 1998

Company Number : 2970302



BIOGENERATION LIMITED

DIRECTORS AND ADVISORS

Directors

M A Read
R B Tate
B J Griffiths
R Austerberry (Alternate)

Auditors

PricewaterhouseCoopers
Cumberland House
35 Park Row
Nottingham
NG1 6FY

Secretary and registered office

W A F Clark
c/o Biffa Waste Services Limited
Coronation Road
Cressex
High Wycombe
Bucks HP12 3TZ

Bankers

Midland Bank plc
6 Victoria Street
Nottingham
NG1 2FF

BIOGENERATION LIMITED

REPORT OF THE DIRECTORS

The Directors submit their Report and Audited Financial Statements for the year ended 31 March 1998.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

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

During the year the Company's four generating stations at four landfill gas sites owned by Biffa Waste Services Limited, a subsidiary of Severn Trent Plc, were operated successfully. The sites are:

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

The electricity generated is sold through 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 Government's Non Fossil Fuel Obligation through which a premium sale price is available.

RESULTS

The result of the Company for the year ended 31 March 1998 are shown in the attached financial statements together with the notes thereon.

The Company report a profit for the year of £194,500 (1997 £19,600).

Subject to the approval at the Annual General Meeting, the Directors do not recommend a dividend in respect of the year ended 31 March 1998.

PURCHASING AND PAYMENT 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.

YEAR 2000 COMPLIANCE

The risks associated with the Year 2000 problem are being assessed. An inventory of systems, hardware and software including embedded chips in process equipment is being carried out. Suppliers of such equipment will be requested to confirm Year 2000 compliance. A

comprehensive test of all programs will be completed well before the year 2000. The costs associated with the Year 2000 problem have been estimated and are likely to be small.

DIRECTORS AND THEIR INTERESTS

The present Directors of the Company are as shown on page 1. Mr B J Griffiths (Alternate Mr R Austerberry) was appointed a director on 1 December 1997. Mr M L Yates (Alternate Mr G R Thomas) resigned on the same date. Mr S V Goalby resigned on 29 May 1998. None of the Directors in office at 31 March 1998 had any registered interests in the share and loan capital of the Company.

AUDITORS

Our auditors, Coopers & Lybrand merged with Price Waterhouse on 1 July, following which C&L resigned and the directors appointed the new firm, PricewaterhouseCoopers, as auditors. A resolution to reappoint PwC as auditors to the company 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
and signed on its behalf by:-



W A F Clark
Secretary

7 August 1998

AUDITOR'S REPORT TO THE MEMBERS OF
BIOGENERATION LIMITED

We have audited the financial statements on pages 5 to 14.

Respective responsibilities of Directors and Auditors

As described on page 3 the Company's Directors are responsible for the preparation of the 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.

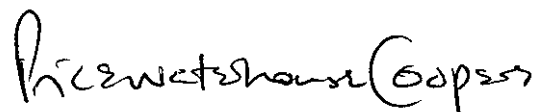
Basis of opinion

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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Nottingham

17th September, 1998

BIOGENERATION LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 1998

	Notes	1998 £'000	1997 £'000
Turnover	1	1,625.6	936.7
Cost of sales		(287.8)	(140.8)
Gross profit		1,337.8	795.9
Administrative expenses		(752.7)	(513.7)
Operating profit		585.1	282.2
Net interest	2	(343.3)	(262.6)
Profit on ordinary activities before taxation	3	241.8	19.6
Taxation	5	(47.3)	-
Retained profit for the financial year	11	194.5	19.6

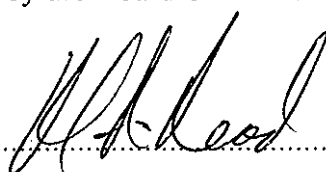
All figures relate to continuing activities.

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

BIOGENERATION LIMITED**BALANCE SHEET****AS AT 31 MARCH 1998**

	Notes	1998 £'000	1997 £'000
FIXED ASSETS			
Tangible assets	6	3,862.6	3,797.9
		-----	-----
CURRENT ASSETS			
Debtors	7	287.7	385.0
Cash at bank		395.8	257.1
		-----	-----
		683.5	642.1
CREDITORS			
Amounts falling due within one year	8	(1,197.2)	(1,251.5)
		-----	-----
NET CURRENT LIABILITIES		(513.7)	(609.4)
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES		3,348.9	3,188.5
		-----	-----
CREDITORS			
Amounts falling due after more than one year	8	(3,182.6)	(3,264.0)
		-----	-----
PROVISIONS FOR LIABILITIES AND CHARGES	9	(47.3)	-
		-----	-----
NET ASSETS/ (LIABILITIES)		119.0	(75.5)
		=====	=====
CAPITAL AND RESERVES			
Called up share capital	10	1.0	1.0
Profit and loss account	11	118.0	(76.5)
		-----	-----
EQUITY SHAREHOLDERS' FUNDS	13	119.0	(75.5)
		=====	=====

The Accounts on pages 5 to 14 were approved by the Board of Directors on 7 August 1998 and were signed on its behalf by:


..... M A Read
Chairman

BIOGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

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 the period of the associated NFPA agreements which run for twelve years. 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.

BIOGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

2 NET INTEREST

	1998 £'000	1997 £'000
Interest payable on loans	(366.6)	(273.4)
Bank interest received	23.3	10.8
	<u>(343.3)</u>	<u>(262.6)</u>

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1998 £'000	1997 £'000
Profit/ (loss) on ordinary activities before taxation is stated after charging:		
Depreciation	277.4	178.5
Development expenditure written off	-	94.3
Auditors remuneration as auditors	<u>1.5</u>	<u>3.0</u>

4 DIRECTORS AND EMPLOYEES

The company has no employees

The Chairman and Directors received no remuneration or fees in respect of the year ended 31 March 1998 (1997: Nil)

5 TAX CHARGE ON ORDINARY ACTIVITIES

	1998 £'000	1997 £'000
The taxation charge for the year comprises:		
Deferred taxation	<u>47.3</u>	<u>-</u>

The tax charge for the year has been reduced by £27,700 by the benefit of tax losses and the deferred tax asset not recognised in the prior year.

BIOGENERATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1998

6 TANGIBLE FIXED ASSETS

	£'000
Plant and Machinery	
Cost:	
At 1 April 1997	3,976.4
Additions	342.1
At 31 March 1998	<u>4,318.5</u>
Depreciation:	
At 1 April 1997	178.5
Provision for the year	277.4
At 31 March 1998	<u>455.9</u>
Net book amount:	
At 31 March 1998	<u><u>3,862.6</u></u>
At 31 March 1997	<u><u>3,797.9</u></u>

7 DEBTORS

	1998	1997
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	108.0	170.8
Amounts due from related undertakings	62.6	111.2
Prepayments and accrued income	117.1	101.4
Other debtors	-	1.6
	<u>287.7</u>	<u>385.0</u>

BIOGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

8 CREDITORS

	1998 £'000	1997 £'000
Amounts falling due within one year		
Loans (see below)	454.7	408.0
Trade creditors	114.7	112.4
Amounts owed to related undertakings	429.7	418.8
Other taxation	50.0	16.2
Accruals and deferred income	146.4	294.4
Corporation tax	1.7	1.7
	<u>1,197.2</u>	<u>1,251.5</u>

Amounts falling due after more than one year

Loans (see below)	<u>3,182.6</u>	<u>3,264.0</u>
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The loans are repayable as follows:

In one year or less	454.7	408.0
Between one and five years	1,818.6	1,632.0
In five years or more	1,364.0	1,632.0
	<u>3,637.3</u>	<u>3,672.0</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%.

9 PROVISIONS FOR LIABILITIES AND CHARGES

	£'000
Deferred taxation	
At 1 April 1997	-
Profit and loss account	<u>47.3</u>
At 31 March 1998	<u>47.3</u>

BIOGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

9 PROVISIONS FOR LIABILITIES AND CHARGES (Continued)

	1998		1997	
	Unprovided	Provision	Asset	Provision
	£'000	Made	Unprovided	Made
		£'000	£'000	£'000
Accelerated capital allowances	-	398.9	216.9	-
Other timing differences	-	(351.6)	(227.4)	-
	<u>-</u>	<u>47.3</u>	<u>(10.5)</u>	<u>-</u>

Deferred tax has been calculated at the corporation tax rate of 31% (1997 33%).

10 CALLED UP SHARE CAPITAL

	1998	1997
	£'000	£'000
Authorised allotted, called up and fully paid		
500 "A" ordinary shares of £1 each	0.5	0.5
500 "B" ordinary shares of £1 each	0.5	0.5
	<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.

11 PROFIT AND LOSS ACCOUNT

	£'000
At 1 April 1997	(76.5)
Retained profit for the year	194.5
At 31 March 1998	<u>118.0</u>

BIOGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

12 COMMITMENTS AND CONTINGENT LIABILITIES

	1998 £'000	1997 £'000
Fixed asset expenditure commitments Contracted for but not provided for in the financial statements	<u>-</u>	<u>333.7</u>

13 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	1998 £'000	1997 £'000
Profit for the financial year	194.5	19.6
Opening shareholders funds	<u>(75.5)</u>	<u>(95.1)</u>
Closing shareholders funds	<u>119.0</u>	<u>(75.5)</u>

14 RELATED PARTY TRANSACTION

During the year the Company had transactions with companies related to its two shareholders. The nature of the transactions and the relevant amounts incurred during the year are summarised below.

- (a) The Company has an agreement with East Midlands Electricity plc and the Non-Fossil Purchasing Agency Limited in respect of its site at Welford, whereby electricity generated is sold to East Midlands Electricity plc. Sales for the year to 31 March 1998 totalled £452,400 (1997: £237,600).
- (b) The Company has agreements with Biffa Waste Services Limited, a related party of Severn Trent Water Plc, to purchase gas used in the generation of electricity. Purchases for the year to 31 March 1998 totalled £287,800 (1997: £140,800).
- (c) The Company has no paid employees and up to 31 December 1997 paid a management fee to East Midlands Electricity plc in respect of administration and management services. The charge for 1998 was £24,600 (1997: £24,000). From 1 January 1998 Biffa Waste Services Limited took over the Company's management and administration, and received £8,500 in respect of these services.

BIOGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

14 RELATED PARTY TRANSACTION (Continued)

- (d) Under a formal agreement ("Triad agreement") with East Midlands Electricity plc, the Company receives an efficiency rebate in respect of its site at Welford, if certain operating parameters are exceeded. The amount receivable under the Triad agreement for 1998 was £ nil (1997: £9,900).
- (e) During the previous year certain development expenditure was recharged by East Midlands Electricity plc totalling £22,200 and by Biffa Waste Services Limited totalling £69,000. No such expenditure was recharged in the current year.
- (f) The Company is financed by long term loans from its shareholders (see note 8). In 1998, interest of £136,700 was paid to each of East Midlands Electricity Generation (Non Fossil) Limited and Severn Trent Power Generation Limited (1997: £27,100 to each company).

The amounts outstanding under paragraph (a) above are included in amounts due from related undertakings. The amounts outstanding under paragraphs (b) to (d) together with interest accrued but not paid, are included in amounts owed to related undertakings.

15 PARENT UNDERTAKINGS

The Company is jointly owned by East Midlands Generation (Non Fossil) Limited, a wholly owned subsidiary of East Midlands Electricity plc, and Biffa Waste Services Limited, 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
2297 Coventry Road
Birmingham
B26 3PU

BIOGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

15 PARENT UNDERTAKINGS (Continued)

Dominion Resources Inc. which is incorporated in the United States of America and listed on the New York Stock Exchange, is considered by the directors to be the ultimate parent undertaking of East Midlands Electricity plc. The consolidated accounts of Dominion Resources Inc. can be obtained from:

Corporate Secretary
Dominion Resources Inc.
P O Box 26352
Richmond
Virginia 23261-6532
USA