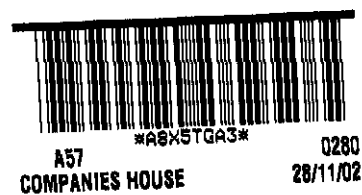


**BIOGENERATION LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 MARCH 2002**



**Company Number: 2970302**

## **BIOGENERATION LIMITED**

### **DIRECTORS AND ADVISORS**

#### **Directors**

A Raymant  
J Woodcraft  
R B Tate  
B J Griffiths  
R Austerberry (Alternate)

#### **Auditors**

PricewaterhouseCoopers  
9 Greyfriars Road  
Reading  
Berkshire  
RG1 1JG

#### **Secretary and registered office**

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

#### **Bankers**

HSBC Bank plc  
12 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 2002.

**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 Non Fossil Purchasing Agency (NFPA) auctions the power on a competitive tender basis to licenced supply businesses for onward sale to customers.

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.

**FUTURE DEVELOPMENTS**

The company will continue to operate its four generating stations until such time as reduced landfill gas volumes make this uneconomical to do.

**RESULTS**

The result of the company for the year ended 31 March 2002 is shown in the attached financial statements together with the notes thereon.

The company reports a profit for the year of £533,600 (2001: £488,300).

The directors do not recommend a dividend in respect of the year ended 31 March 2002.

**INTRODUCTION OF THE EURO**

The company's activities are relatively straightforward and it is anticipated that the introduction of the Euro will have little impact. Preparation for the Euro will begin when a date for its introduction has been determined.

No significant costs have been incurred by the company in connection with this project.

## **DIRECTORS AND THEIR INTERESTS**

The present directors of the company are as shown on page 1. Mr S Foster and Mr K Plowman resigned and Mr A Raymant and Ms J Woodcraft were appointed on 12 November 2001. None of the directors in office at 31 March 2002 had any registered interests in the share and loan capital of the company.

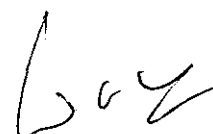
## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year that 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. 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 confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 March 2002 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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 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.

Approved by the board of directors  
and signed on its behalf by:-



W A F Clark  
Secretary

15 November 2002

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**  
**BIOGENERATION LIMITED**

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

**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 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 United Kingdom auditing standards issued by the Auditing Practices Board.

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 United Kingdom Companies Act. 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 is not disclosed.

**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.

## 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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers*

PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
Reading

15 November 2002

**BIOGENERATION LIMITED**

**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 MARCH 2002**

|   | Notes | 2002<br>£000        | 2001<br>£000        |
|---|-------|---------------------|---------------------|
| Turnover                                      | 1     | 2,152.1             | 2,226.0             |
| Cost of sales                                 |       | (377.9)             | (392.9)             |
| Gross profit                                  |       | <u>1,774.2</u>      | <u>1,833.1</u>      |
| Administrative expenses                       |       | (937.5)             | (938.3)             |
| Operating profit                              |       | <u>836.7</u>        | <u>894.8</u>        |
| Net interest                                  | 2     | (101.7)             | (197.2)             |
| Profit on ordinary activities before taxation | 3     | <u>735.0</u>        | <u>697.6</u>        |
| Taxation                                      | 5     | (201.4)             | (209.3)             |
| Retained profit for the financial year        | 11    | <u><u>533.6</u></u> | <u><u>488.3</u></u> |

The profit for the financial year is derived wholly from continuing operations.

The company has no recognised gains and losses other than the profit above and therefore no separate statement of total recognised gains and losses has been presented.

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

**BIOGENERATION LIMITED**

**BALANCE SHEET**

**AS AT 31 MARCH 2002**

|   | Notes | 2002<br>£000 | 2001<br>£000 |
|---|-------|--------------|--------------|
| <b>FIXED ASSETS</b>                           |       |              |              |
| Tangible assets                               | 6     | 2,726.7      | 3,022.1      |
|   |       | <hr/>        | <hr/>        |
| <b>CURRENT ASSETS</b>                         |       |              |              |
| Debtors                                       | 7     | 424.1        | 385.4        |
| Cash at bank                                  |       | 128.9        | 418.3        |
|   |       | <hr/>        | <hr/>        |
|   |       | 553.0        | 803.7        |
| <b>CREDITORS</b>                              |       |              |              |
| Amounts falling due within one year           | 8     | (430.0)      | (424.4)      |
|   |       | <hr/>        | <hr/>        |
| <b>NET CURRENT ASSETS</b>                     |       | 123.0        | 379.3        |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>  |       | <hr/>        | <hr/>        |
|   |       | 2,849.7      | 3,401.4      |
| <b>CREDITORS</b>                              |       |              |              |
| Amounts falling due after more than one year  | 8     | (500.0)      | (1,600.0)    |
| <b>PROVISIONS FOR LIABILITIES AND CHARGES</b> | 9     | (550.5)      | (535.8)      |
| <b>NET ASSETS</b>                             |       | <hr/>        | <hr/>        |
|   |       | 1,799.2      | 1,265.6      |
| <b>CAPITAL AND RESERVES</b>                   |       |              |              |
| Called up share capital                       | 10    | 1.0          | 1.0          |
| Profit and loss account                       | 11    | 1,798.2      | 1,264.6      |
| <b>EQUITY SHAREHOLDERS' FUNDS</b>             | 12    | <hr/>        | <hr/>        |
|   |       | 1,799.2      | 1,265.6      |
|   |       | <hr/>        | <hr/>        |

The financial statements on pages 6 to 15 were approved by the board of directors on 15 November 2002 and were signed on its behalf by:



R B Tate  
Chairman



## **BIOGENERATION LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **FOR THE YEAR ENDED 31 MARCH 2002**

#### **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 fifteen years. Assets in the course of construction are not depreciated.

##### **Deferred taxation**

Deferred taxation is fully provided in respect of differences between the treatment of certain items for accounting purposes and taxation purposes. Material deferred tax balances are discounted by applying an appropriate risk free discount rate.

FRS19 (Deferred Tax) has been adopted in the current year. This did not result in any changes being made to the deferred taxation provided in the financial statements as deferred taxation was fully provided for in the prior year.

##### **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 2002**

**2 NET INTEREST**

|                           | 2002<br>£000   | 2001<br>£000   |
|---------------------------|----------------|----------------|
| Interest payable on loans | (114.1)        | (226.9)        |
| Bank interest received    | 12.4           | 29.7           |
|                           | <u>(101.7)</u> | <u>(197.2)</u> |

**3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

|   | 2002<br>£000      | 2001<br>£000      |
|---|-------------------|-------------------|
| Profit on ordinary activities before taxation is stated after charging: |                   |                   |
| Depreciation  | 295.4             | 295.3             |
| Auditors remuneration for audit services                                | 2.4               | 2.5               |
|   | <u>          </u> | <u>          </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 2002 (2001: £nil).

**5 TAX CHARGE ON ORDINARY ACTIVITIES**

|   | 2002<br>£000 | 2001<br>£000 |
|---|--------------|--------------|
| The taxation charge for the year comprises: |              |              |
| Deferred taxation                           | 14.7         | 209.3        |
| Corporation taxation                        | 186.7        | -            |
|   | <u>201.4</u> | <u>209.3</u> |

**BIOGENERATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2002**

**5 TAX CHARGE ON ORDINARY ACTIVITIES (Continued)**

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below.

|  | 2002<br>£000 | 2001<br>£000 |
|--|--------------|--------------|
| Profit on ordinary activities before tax   | <u>735.0</u> | <u>697.6</u> |
| Profit on ordinary activities multiplied by the<br>standard rate of corporation tax in the UK of 30%<br>(2001:30%) | 220.5        | 209.3        |
| Effects of:  |              |              |
| Expenses not deductible for tax purpose  | 1.2          | -            |
| Capital allowances for period in excess of<br>depreciation   | 5.4          | (22.2)       |
| Losses not given credit for account purposes   | (20.1)       | (187.1)      |
| Marginal relief  | (20.3)       | -            |
|  | <u>186.7</u> | <u>-</u>     |

**BIOGENERATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2002**

**6 TANGIBLE FIXED ASSETS**

|                                   |             |
|-----------------------------------|-------------|
| Plant and machinery               | £000        |
| Cost:                             |             |
| At 1 April 2001 and 31 March 2002 | 4,357.0     |
|                                   | <hr/>       |
| Depreciation:                     |             |
| At 1 April 2001                   | 1,334.9     |
| Provision for the year            | 295.4       |
|                                   | <hr/>       |
| At 31 March 2002                  | 1,630.3     |
|                                   | <hr/>       |
| Net book amount:                  |             |
| At 31 March 2002                  | 2,726.7     |
|                                   | <hr/> <hr/> |
| At 31 March 2001                  | 3,022.1     |
|                                   | <hr/> <hr/> |

**7 DEBTORS**

|                                       | 2002        | 2001        |
|---------------------------------------|-------------|-------------|
|                                       | £000        | £000        |
| Amounts falling due within one year:  |             |             |
| Trade debtors                         | 219.4       | 155.6       |
| Amounts due from related undertakings | -           | 75.4        |
| Prepayments and accrued income        | 204.7       | 154.4       |
|                                       | <hr/>       | <hr/>       |
|                                       | 424.1       | 385.4       |
|                                       | <hr/> <hr/> | <hr/> <hr/> |

**BIOGENERATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2002**

**8 CREDITORS**

|   | 2002         | 2001           |
|---|--------------|----------------|
|   | £000         | £000           |
| Amounts falling due within one year:          |              |                |
| Trade creditors                               | -            | 88.2           |
| Amounts owed to related undertakings          | 127.1        | 193.1          |
| Other taxation                                | 64.1         | 53.1           |
| Corporation taxation                          | 95.6         | -              |
| Accruals and deferred income                  | 143.2        | 90.0           |
|   | <u>430.0</u> | <u>424.4</u>   |
| Amounts falling due after more than one year: |              |                |
| Loans (repayable between one and five years)  | <u>500.0</u> | <u>1,600.0</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%. During the year the company made additional loan repayments, in advance of the dates specified in the loan agreements.

**9 PROVISIONS FOR LIABILITIES AND CHARGES**

|                         | £000         |
|-------------------------|--------------|
| Deferred taxation       |              |
| At 1 April 2001         | 535.8        |
| Profit and loss account | 14.7         |
| At 31 March 2002        | <u>550.5</u> |

**BIOGENERATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2002**

**9 PROVISIONS FOR LIABILITIES AND CHARGES (Continued)**

|                                | 2002       |              | 2001       |              |
|--------------------------------|------------|--------------|------------|--------------|
|                                | Unprovided | Provision    | Unprovided | Provision    |
|                                | £000       | Made<br>£000 | £000       | Made<br>£000 |
| Accelerated capital allowances | -          | 550.5        | -          | 567.6        |
| Other timings differences      | -          | -            | -          | (31.8)       |
|                                | <u>-</u>   | <u>550.5</u> | <u>-</u>   | <u>535.8</u> |

Deferred tax has been calculated at the corporation tax rate of 30%.

**10 CALLED UP SHARE CAPITAL**

|   | 2002<br>£000 | 2001<br>£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 2001              | 1,264.6        |
| Retained profit for the year | 533.6          |
| At 31 March 2002             | <u>1,798.2</u> |

**BIOGENERATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2002**

**12 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

|                               | 2002<br>£000   | 2001<br>£000   |
|-------------------------------|----------------|----------------|
| Profit for the financial year | 533.6          | 488.3          |
| Opening shareholders funds    | 1,265.6        | 777.3          |
|                               | <hr/>          | <hr/>          |
| Closing shareholders funds    | <u>1,799.2</u> | <u>1,265.6</u> |

**13 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) In the prior year the company had an agreement with East Midlands Electricity plc, a related party of PowerGen UK Plc, and the Non-Fossil Purchasing Agency Limited in respect of its site at Welford, whereby electricity generated was sold to East Midlands Electricity plc. Sales for the year to 31 March 2001 totalled £548,700. This agreement has now ceased.
- (b) The company has agreements with Biffa Waste Services Limited, a related party of Severn Trent Plc, to purchase gas used in the generation of electricity. Purchases for the year to 31 March 2002 totalled £377,900 (2001: £392,900).
- (c) The company has no paid employees and pays a management fee to Biffa Waste Services Ltd, a related party of Severn Trent Plc in respect of administration and management services. The charge for the year to 31 March 2002 was £37,800 (2001: £36,500).
- (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 received under the Triad agreement in 2002 was £6,800 (2001: £6,100).

**BIOGENERATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2002**

**13 RELATED PARTY TRANSACTION (Continued)**

- (e) The company is financed by long term loans from its shareholders (see note 8). In 2002, interest of £101,100 (2001: £216,700) was paid to each of PowerGen UK Plc and Biffa Waste Services Limited.

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.

**14 PARENT UNDERTAKINGS**

The company is jointly owned by PowerGen UK Plc, a wholly owned subsidiary of E.ON AG, and Biffa Waste Services Limited, a wholly owned subsidiary of Severn Trent Plc.

Copies of the financial statements of each respective parent company can be obtained from the following addresses:

The Company Secretary  
PowerGen plc  
53 New Broad Street  
London  
EC2M 1JJ

The Company Secretary  
Severn Trent Plc  
2297 Coventry Road  
Birmingham  
B26 3PU