

BIOGENERATION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 1999

Company Number : 2970302



BIOGENERATION LIMITED

DIRECTORS AND ADVISORS

Directors

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

Auditors

PricewaterhouseCoopers
9 Greyfriars Road
Reading
Berkshire
RG7 1JG

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 1999.

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 1999 are shown in the attached financial statements together with the notes thereon.

The Company report a profit for the year of £275,800 (1998 £194,500).

Subject to the approval at the Annual General Meeting, the Directors do not recommend a dividend in respect of the year ended 31 March 1999.

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 S V Goalby resigned on 29 May 1998. Mrs J Pomeroy was appointed on 22 July 1998 and resigned on 30 April 1999. Mr K Plowman was appointed on 10 June 1999. None of the Directors in office at 31 March 1999 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. In preparing those 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 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

20 October 1999

AUDITOR'S REPORT TO THE MEMBERS OF
BIOGENERATION LIMITED

We have audited the financial statements on pages 5 to 13.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report, including as described on page 3 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

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. 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.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Accounts.

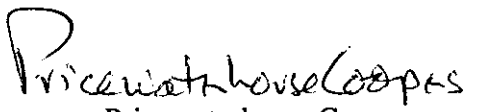
Basis of opinion

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 1999 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
Reading

25 October 1999

BIOGENERATION LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 1999

	Notes	1999 £'000	1998 £'000
Turnover	1	1,946.7	1,625.6
Cost of sales		(342.9)	(287.8)
Gross profit		<u>1,603.8</u>	<u>1,337.8</u>
Administrative expenses		(893.1)	(752.7)
Operating profit		<u>710.7</u>	<u>585.1</u>
Net interest	2	(321.4)	(343.3)
Profit on ordinary activities before taxation	3	389.3	241.8
Taxation	5	(113.5)	(47.3)
Retained profit for the financial year	11	<u><u>275.8</u></u>	<u><u>194.5</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 1999

	Notes	1999 £'000	1998 £'000
FIXED ASSETS			
Tangible assets	6	3,588.8	3,862.6
		<hr/>	<hr/>
CURRENT ASSETS			
Debtors	7	372.4	287.7
Cash at bank		420.7	395.8
		<hr/>	<hr/>
		793.1	683.5
CREDITORS			
Amounts falling due within one year	8	(1,096.6)	(1,197.2)
		<hr/>	<hr/>
NET CURRENT LIABILITIES		(303.5)	(513.7)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		3,285.3	3,348.9
		<hr/>	<hr/>
CREDITORS			
Amounts falling due after more than one year	8	(2,728.0)	(3,182.6)
PROVISIONS FOR LIABILITIES AND CHARGES	9	(162.5)	(47.3)
		<hr/>	<hr/>
NET ASSETS		394.8	119.0
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	10	1.0	1.0
Profit and loss account	11	393.8	118.0
		<hr/>	<hr/>
EQUITY SHAREHOLDERS' FUNDS	12	394.8	119.0
		<hr/>	<hr/>

The Accounts on pages 5 to 13 were approved by the Board of Directors on 20 October 1999 and were signed on its behalf by:


..... M A Read
Chairman

BIOGENERATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1999

1 ACCOUNTING POLICIES

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

The following accounting standards have been adopted in these Accounts for the first time:

- FRS 11 'Impairment of Fixed Assets and Goodwill';
- FRS 12 'Provisions, Contingent Liabilities and Contingent Assets'.

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 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 1999

2 NET INTEREST

	1999 £'000	1998 £'000
Interest payable on loans	(352.5)	(366.6)
Bank interest received	31.1	23.3
	<u>(321.4)</u>	<u>(343.3)</u>

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1999 £'000	1998 £'000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation	290.8	277.4
Auditors remuneration as auditors	2.4	1.5
	<u>293.2</u>	<u>278.9</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 1999 (1998: £nil).

5 TAX CHARGE ON ORDINARY ACTIVITIES

	1999 £'000	1998 £'000
The taxation charge for the year comprises:		
Deferred taxation	115.2	47.3
Adjustment in respect of prior years	(1.7)	-
	<u>113.5</u>	<u>47.3</u>

BIOGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1999

6 TANGIBLE FIXED ASSETS

£'000

Plant and Machinery
Cost:

At 1 April 1998	4,318.5
Additions	17.0
At 31 March 1999	<u>4,335.5</u>

Depreciation:

At 1 April 1998	455.9
Provision for the year	290.8
At 31 March 1999	<u>746.7</u>

Net book amount:

At 31 March 1999	<u><u>3,588.8</u></u>
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At 31 March 1998	<u><u>3,862.6</u></u>
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Capital commitments

There was no capital expenditure contracted but not provided for at the year end (1998: £nil).

7 DEBTORS

1999	1998
£'000	£'000

Amounts falling due within one year:

Trade debtors	146.4	108.0
Amounts due from related undertakings	91.0	62.6
Prepayments and accrued income	135.0	117.1
	<u>372.4</u>	<u>287.7</u>

BIOGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1999

8 CREDITORS

	1999 £'000	1998 £'000
Amounts falling due within one year		
Loans (see below)	454.7	454.7
Trade creditors	51.3	114.7
Amounts owed to related undertakings	426.7	429.7
Other taxation	55.4	50.0
Accruals and deferred income	108.5	146.4
Corporation tax	-	1.7
	<u>1,096.6</u>	<u>1,197.2</u>
Amounts falling due after more than one year		
Loans (see below)	<u>2,728.0</u>	<u>3,182.6</u>

The loans are repayable as follows:

In one year or less	454.7	454.7
Between one and five years	1,818.6	1,818.6
In five years or more	909.4	1,364.0
	<u>3,182.7</u>	<u>3,637.3</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 1998	47.3
Profit and loss account	115.2
At 31 March 1999	<u>162.5</u>

BIOGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1999

9 PROVISIONS FOR LIABILITIES AND CHARGES (Continued)

	1999		1998	
	Asset Unprovided £'000	Provision Made £'000	Asset Unprovided £'000	Provision Made £'000
Accelerated capital allowances	-	489.9	-	398.9
Other timing differences	-	(327.4)	-	(351.6)
	-	162.5	-	47.3

Deferred tax has been calculated at the corporation tax rate of 30% (1998 31%).

10 CALLED UP SHARE CAPITAL

	1999 £'000	1998 £'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
	1.0	1.0

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 1998	118.0
Retained profit for the year	275.8
At 31 March 1999	393.8

BIOGENERATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1999

12 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	1999 £'000	1998 £'000
Profit for the financial year	275.8	194.5
Opening shareholders funds	119.0	(75.5)
Closing shareholders funds	<u>394.8</u>	<u>119.0</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) 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 1999 totalled £433,100 (1998: £452,400).
- (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 1999 totalled £342,900 (1998: £287,800).
- (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 1999 was £35,200. In the prior year East Midlands Electricity plc provided this service to 31 December 1997 and received £24,600. Biffa Waste Services Ltd provided the service from 1 January 1998 and received £8,500.
- (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 receivable under the Triad agreement for 1999 was £5,500 (1998: £nil).

BIOGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1999

13 RELATED PARTY TRANSACTION (Continued)

- (e) The Company is financed by long term loans from its shareholders (see note 8). In 1999, interest of £183,300 was paid to each of East Midlands Electricity Generation (Non Fossil) Limited and Biffa Waste Services Limited (1998: £136,700 to each of East Midlands Electricity Generation (Non Fossil) Limited and Severn Trent Power Generation 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 CHP Limited, a wholly owned subsidiary of PowerGen plc, and Biffa Waste Services Limited, a wholly owned subsidiary of Severn Trent Plc.

Copies of the accounts 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