

BIOGENERATION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2000

Company Number: 2970302



BIOGENERATION LIMITED

DIRECTORS AND ADVISORS

Directors

S E Foster
K Plowman
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

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 2000.

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 2000 are shown in the attached financial statements together with the notes thereon.

The Company report a profit for the year of £382,500 (1999: £275,800).

Subject to the approval at the Annual General Meeting, the Directors do not recommend a dividend in respect of the year ended 31 March 2000.

YEAR 2000 ISSUE AND THE INTRODUCTION OF THE EURO

The Company began planning how to deal with the Year 2000 issue in early 1999. Work undertaken since then has been designed to ensure that its operations and relationships with customers were not adversely affected by problems resulting from the potential inability of electronic systems to accommodate the date change to the Year 2000. The project has now been completed and all indications to date are that the work was successful.

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 either project.

DIRECTORS AND THEIR INTERESTS

The present Directors of the Company are as shown on page 1. Mrs J Pomeroy resigned on 30 April 1999. Mr K Plowman was appointed on 10 June 1999. Mr M A Read resigned and Mr S E Foster was appointed on 31 May 2000. None of the Directors in office at 31 March 2000 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

11 September 2000

AUDITOR'S REPORT TO THE MEMBERS OF
BIOGENERATION LIMITED

We have audited the financial statements on pages 6 to 14.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report. As described on page 3, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting policies. Our responsibilities, as independent auditors, are established in the United Kingdom 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 financial statements.

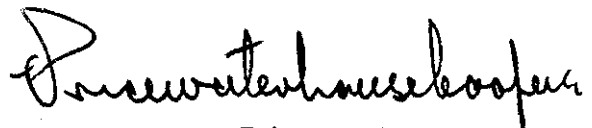
Basis of opinion

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 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in cursive script, appearing to read 'PricewaterhouseCoopers', is written in dark ink.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Reading

15 September 2000

BIOGENERATION LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2000

	Notes	2000 £'000	1999 £'000
Turnover	1	2,116.9	1,946.7
Cost of sales		(370.0)	(342.9)
Gross profit		<u>1,746.9</u>	<u>1,603.8</u>
Administrative expenses		(925.2)	(893.1)
Operating profit		<u>821.7</u>	<u>710.7</u>
Net interest	2	(275.2)	(321.4)
Profit on ordinary activities before taxation	3	546.5	389.3
Taxation	5	(164.0)	(113.5)
Retained profit for the financial year	11	<u><u>382.5</u></u>	<u><u>275.8</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 2000

	Notes	2000 £'000	1999 £'000
FIXED ASSETS			
Tangible assets	6	3,317.3	3,588.8
		<hr/>	<hr/>
CURRENT ASSETS			
Debtors	7	406.7	372.4
Cash at bank		719.3	420.7
		<hr/>	<hr/>
		1,126.0	793.1
CREDITORS			
Amounts falling due within one year	8	(1,066.2)	(1,096.6)
		<hr/>	<hr/>
NET CURRENT ASSETS/(LIABILITIES)		59.8	(303.5)
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/>	<hr/>
		3,377.1	3,285.3
CREDITORS			
Amounts falling due after more than one year	8	(2,273.3)	(2,728.0)
PROVISIONS FOR LIABILITIES AND CHARGES	9	(326.5)	(162.5)
NET ASSETS		<hr/>	<hr/>
		777.3	394.8
CAPITAL AND RESERVES			
Called up share capital	10	1.0	1.0
Profit and loss account	11	776.3	393.8
EQUITY SHAREHOLDERS' FUNDS	12	<hr/>	<hr/>
		777.3	394.8
		<hr/>	<hr/>

The Accounts on pages 6 to 14 were approved by the Board of Directors on 11 September 2000 and were signed on its behalf by:



R B Tate
Chairman

BIOGENERATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2000

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 financial statements for the first time:

- FRS15 'Tangible fixed assets';
- FRS16 'Current tax'.

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 2000

2 NET INTEREST

	2000 £'000	1999 £'000
Interest payable on loans	(299.9)	(352.5)
Bank interest received	24.7	31.1
	<u>(275.2)</u>	<u>(321.4)</u>

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2000 £'000	1999 £'000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation	292.9	290.8
Auditors remuneration for audit services	2.5	2.4
	<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 2000 (1999: £nil).

5 TAX CHARGE ON ORDINARY ACTIVITIES

	2000 £'000	1999 £'000
The taxation charge for the year comprises:		
Deferred taxation	164.0	115.2
Adjustment in respect of prior years	-	(1.7)
	<u>164.0</u>	<u>113.5</u>

BIOGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2000

6 TANGIBLE FIXED ASSETS

£'000

Plant and machinery

Cost:

At 1 April 1999

4,335.5

Additions

21.4

At 31 March 2000

4,356.9

Depreciation:

At 1 April 1999

746.7

Provision for the year

292.9

At 31 March 2000

1,039.6

Net book amount:

At 31 March 2000

3,317.3

At 31 March 1999

3,588.8

Capital commitments

There was no capital expenditure contracted but not provided for at the year end (1999: £nil).

7 DEBTORS

2000
£'000

1999
£'000

Amounts falling due within one year:

Trade debtors

159.7

146.4

Amounts due from related undertakings

101.5

91.0

Prepayments and accrued income

145.5

135.0

406.7

372.4

BIOGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2000

8 CREDITORS

	2000	1999
	£'000	£'000
Amounts falling due within one year		
Loans (see below)	454.7	454.7
Trade creditors	93.9	51.3
Amounts owed to related undertakings	391.6	426.7
Other taxation	37.5	55.4
Accruals and deferred income	88.5	108.5
	<u>1,066.2</u>	<u>1,096.6</u>

Amounts falling due after more than one year

Loans (see below)	<u>2,273.3</u>	<u>2,728.0</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	454.7	909.4
	<u>2,728.0</u>	<u>3,182.7</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 1999	162.5
Profit and loss account	164.0
At 31 March 2000	<u>326.5</u>

BIOGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2000

9 PROVISIONS FOR LIABILITIES AND CHARGES (Continued)

	2000		1999	
	Asset Unprovided £'000	Provision Made £'000	Asset Unprovided £'000	Provision Made £'000
Accelerated capital allowances	-	547.2	-	489.9
Other timing differences	-	(220.7)	-	(327.4)
	<u>-</u>	<u>326.5</u>	<u>-</u>	<u>162.5</u>

Deferred tax has been calculated at the corporation tax rate of 30% (1999 30%).

10 CALLED UP SHARE CAPITAL

	2000 £'000	1999 £'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 1999	393.8
Retained profit for the year	382.5
At 31 March 2000	<u>776.3</u>

BIOGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2000

12 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2000 £'000	1999 £'000
Profit for the financial year	382.5	275.8
Opening shareholders funds	394.8	119.0
Closing shareholders funds	<u>777.3</u>	<u>394.8</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 2000 totalled £520,600 (1999: £433,100).
- (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 2000 totalled £370,000 (1999: £342,900).
- (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 2000 was £36,200 (1999: £35,200).
- (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 2000 was £4,600 (1999: £5,500).

BIOGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2000

13 RELATED PARTY TRANSACTION (Continued)

- (e) The Company is financed by long term loans from its shareholders (see note 8). In 2000, interest of £176,200 was paid to each of PowerGen CHP Limited and Biffa Waste Services Limited (1999: £183,300 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 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