

CHELSON MEADOW ENERGY LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 1999

REGISTERED NUMBER: 03363593

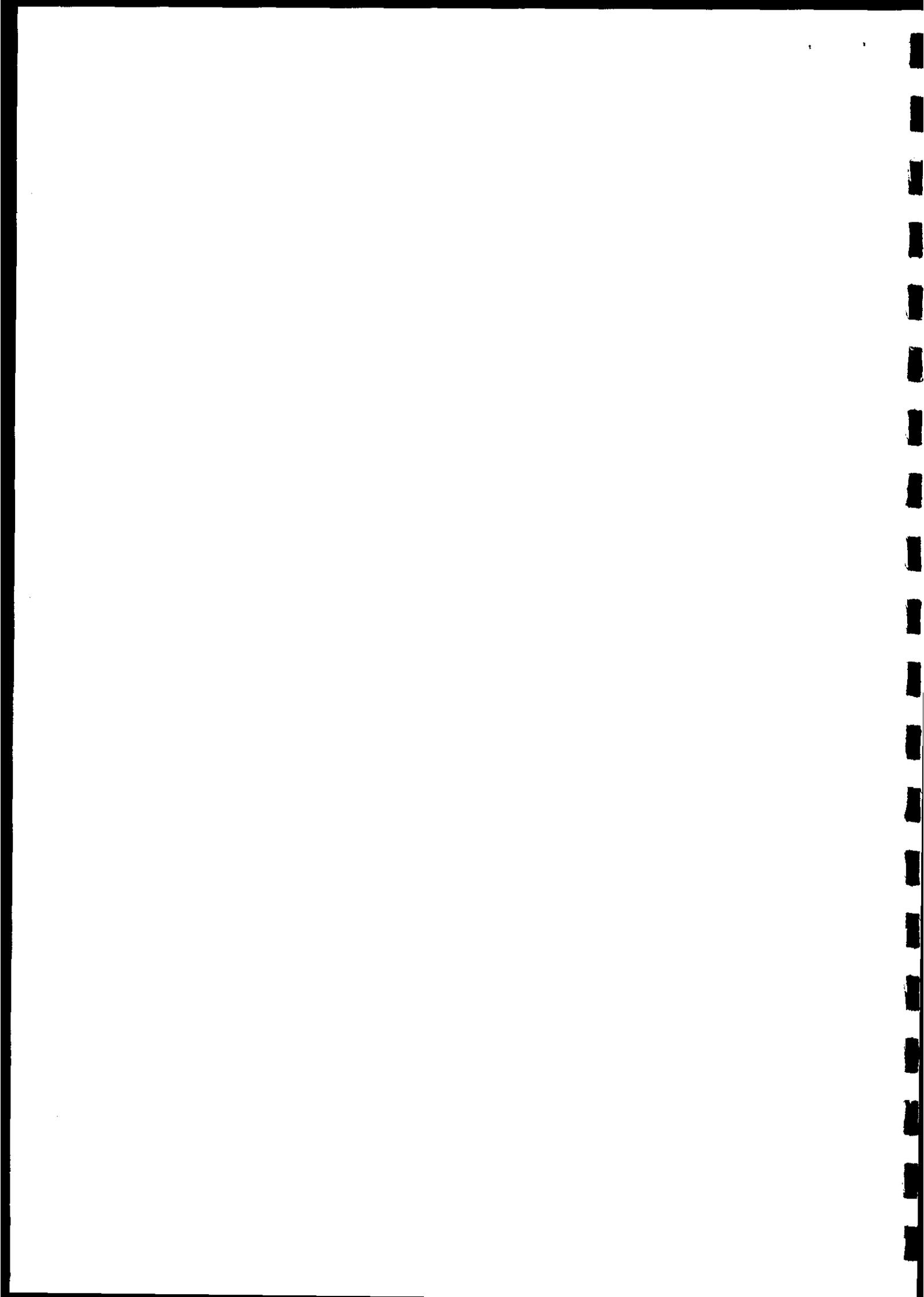


CHELSON MEADOW ENERGY LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 1999

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

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**CHELSON MEADOW ENERGY LIMITED
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DIRECTORS' REPORT

The directors present their report and the audited financial statements for the 9 months ended 31 December 1999.

Principal activities

The company is engaged in the business of generating electricity from landfill gas. During the period the company changed its accounting reference date from 31 March to 31 December. Accordingly the financial statements show the results of the company for the nine months period to 31 December 1999.

Business review and future development

The company made a profit after taxation in the period of £90,743 (year ended 31 March 1999: £35,750).

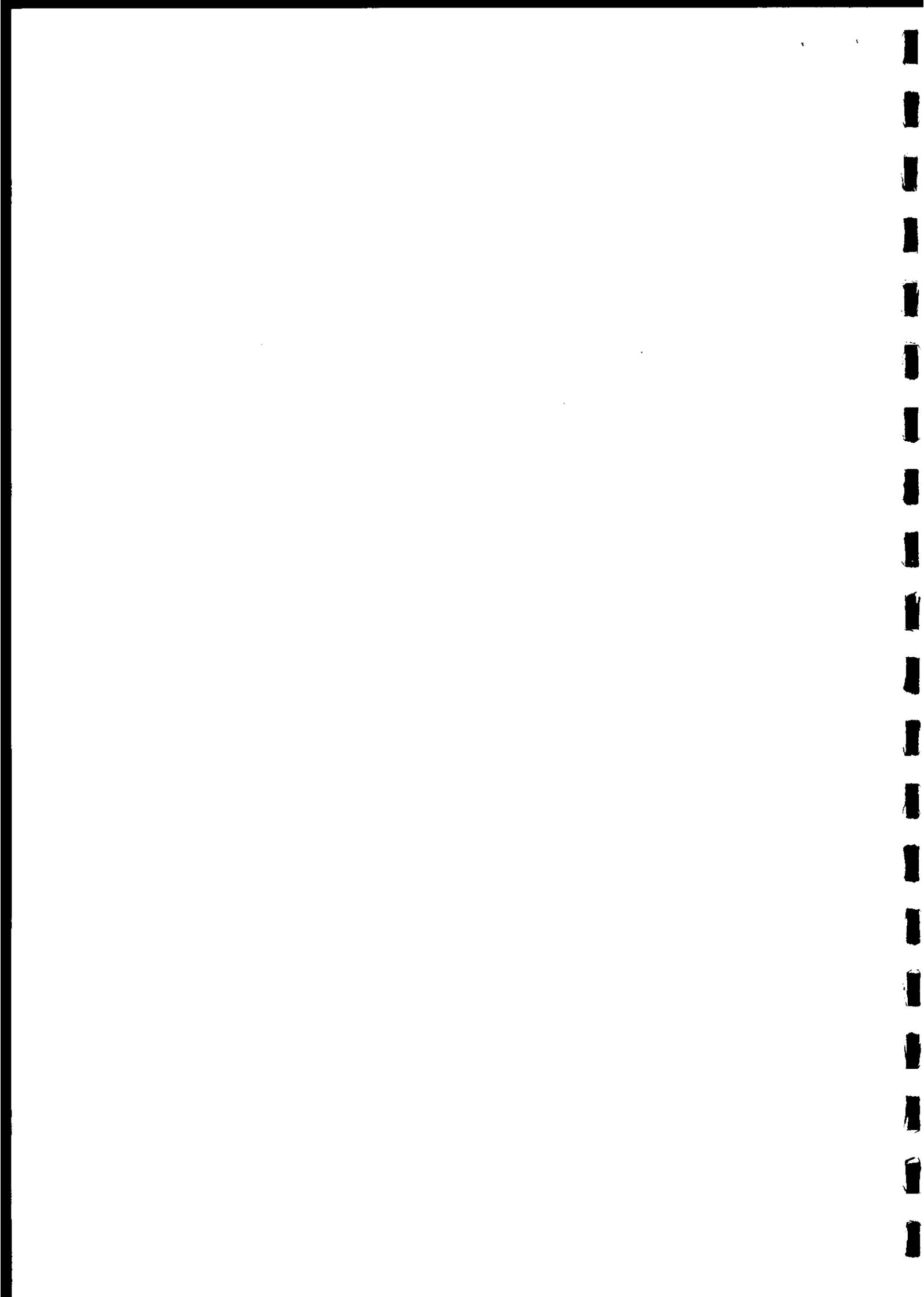
The directors do not recommend the payment of a dividend for the period (year ended 31 March 1999: £nil). The directors expect the level of business to be sustained for the foreseeable future.

Directors and director's interests

The directors who held office during the period were as follows:

| | |
|----------------|-------------------------|
| HHP Wyndham | (resigned 1 July 1999) |
| DH FitzHerbert | (resigned 1 July 1999) |
| DR Wilson | (appointed 1 July 1999) |
| RD Holmes | (appointed 1 July 1999) |
| RE Swanson | (appointed 1 July 1999) |

None of the directors who held office at the end of the financial period had any disclosable interest in the shares of the company or any other group undertakings.



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DIRECTORS' REPORT (CONTINUED)

Auditors

Following the resignation of KPMG Audit Plc, PricewaterhouseCoopers were appointed as auditors to the company. In accordance with Section 385 of the Companies Act 1985, a resolution is to be proposed at the Annual General Meeting for their re-appointment

By order of the board



**DR Wilson
Director**

115 Colmore Row
Birmingham

26 January 2001



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**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
FINANCIAL STATEMENTS**

The directors are required by the Companies Act 1985 to prepare financial statements which give a true and fair view of the state of affairs of the company at the end of the financial period and of the results 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 have responsibility for ensuring the company keeps adequate accounting records which disclose with reasonable accuracy the financial position of the company and enable them to ensure the financial statements comply with the Companies Act 1985.

The directors have a general responsibility for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



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Auditors' report to the members of Chelson Meadow Energy Limited

We have audited the financial statements on pages 5 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 standards. 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 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.

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 December 1999 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Manchester
26 January 2001



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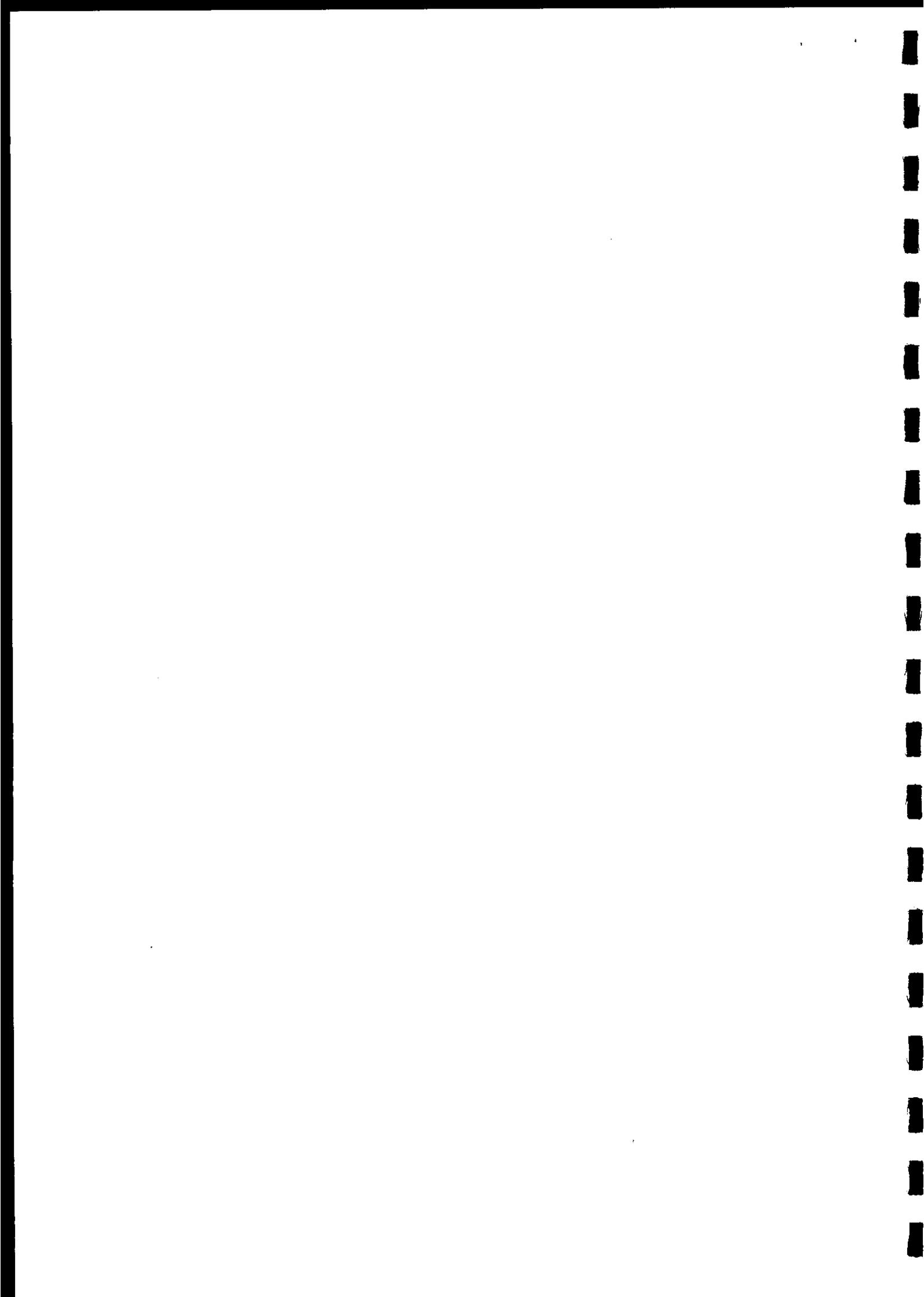
PROFIT AND LOSS ACCOUNT
For the 9 months ended 31 December 1999

| | Note | 9 months ended 31 December 1999 £ | Year ended 31 March 1999 £ |
|--|------|---|----------------------------------|
| Turnover | 1 | 477,184 | 248,301 |
| Cost of sales | | (184,486) | (74,944) |
| Gross profit | | 292,698 | 173,357 |
| Administrative expenses | | (73,172) | (46,854) |
| Operating profit | | 219,526 | 126,503 |
| Interest payable and similar charges | 5 | (89,387) | (75,492) |
| Profit on ordinary activities before taxation | 2 | 130,139 | 51,011 |
| Taxation | 6 | (39,396) | (15,261) |
| Profit on ordinary activities after taxation | | 90,743 | 35,750 |
| Retained profit brought forward | | 35,750 | - |
| Retained profit carried forward | 13 | 126,493 | 35,750 |

The company had no recognised gains and losses in the period other than those passing through the profit and loss account.

All revenues and expenditure relate to continuing activities.

The above is reported on a historical cost basis.

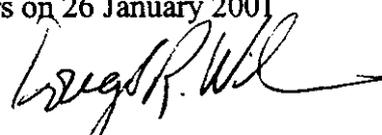


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BALANCE SHEET
 At 31 December 1999

| | Note | 31 December 1999 £ | 31 March 1999 £ |
|--|------|-----------------------|--------------------|
| Fixed assets | | | |
| Tangible assets | 7 | 1,803,896 | 1,296,193 |
| Current assets | | | |
| Debtors | 8 | 444,687 | 169,142 |
| Creditors: amounts falling due within one year | 9 | (179,508) | (96,969) |
| Net current assets | | 265,179 | 72,173 |
| Total assets less current liabilities | | 2,069,075 | 1,368,366 |
| Creditors: amounts falling due after more than one year | 10 | (1,845,262) | (1,306,076) |
| Provisions for liabilities and charges | 11 | (87,320) | (16,540) |
| Net assets | | 136,493 | 45,750 |
| Capital and reserves | | | |
| Called up share capital | 12 | 10,000 | 10,000 |
| Profit and loss account | 13 | 126,493 | 35,750 |
| Equity shareholders' funds | 14 | 136,493 | 45,750 |

These financial statements were approved by the board of directors on 26 January 2001 and were signed on its behalf by



DR Wilson
 Director



**CHELSON MEADOW ENERGY LIMITED
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NOTES

(forming part of the financial statements)

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost.

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives from commissioning as follows:

Plant and machinery - 15 years

Taxation

The charge for taxation is based on the profit or loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the sale of electricity, to third party customers during the period. All turnover arises wholly within the United Kingdom.

Cash flow statement

Under Financial Reporting Standard 1 (revised), the company is exempt from the requirement to prepare a cash flow statement on the grounds that more than 90% of the voting rights are controlled within the group and a consolidated cash flow statement is included in the ultimate parent company's financial statements, which are publicly available.



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NOTES (continued)
(forming part of the financial statements)

1 Accounting Policies (Continued)

Related party transactions

Under Financial Reporting Standard 8, the company is exempt from the requirement to disclose related party transactions with group entities on the grounds that more than 90% of the voting rights are controlled within the group and the consolidated financial statements of the intermediate parent company are publicly available.

2 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging

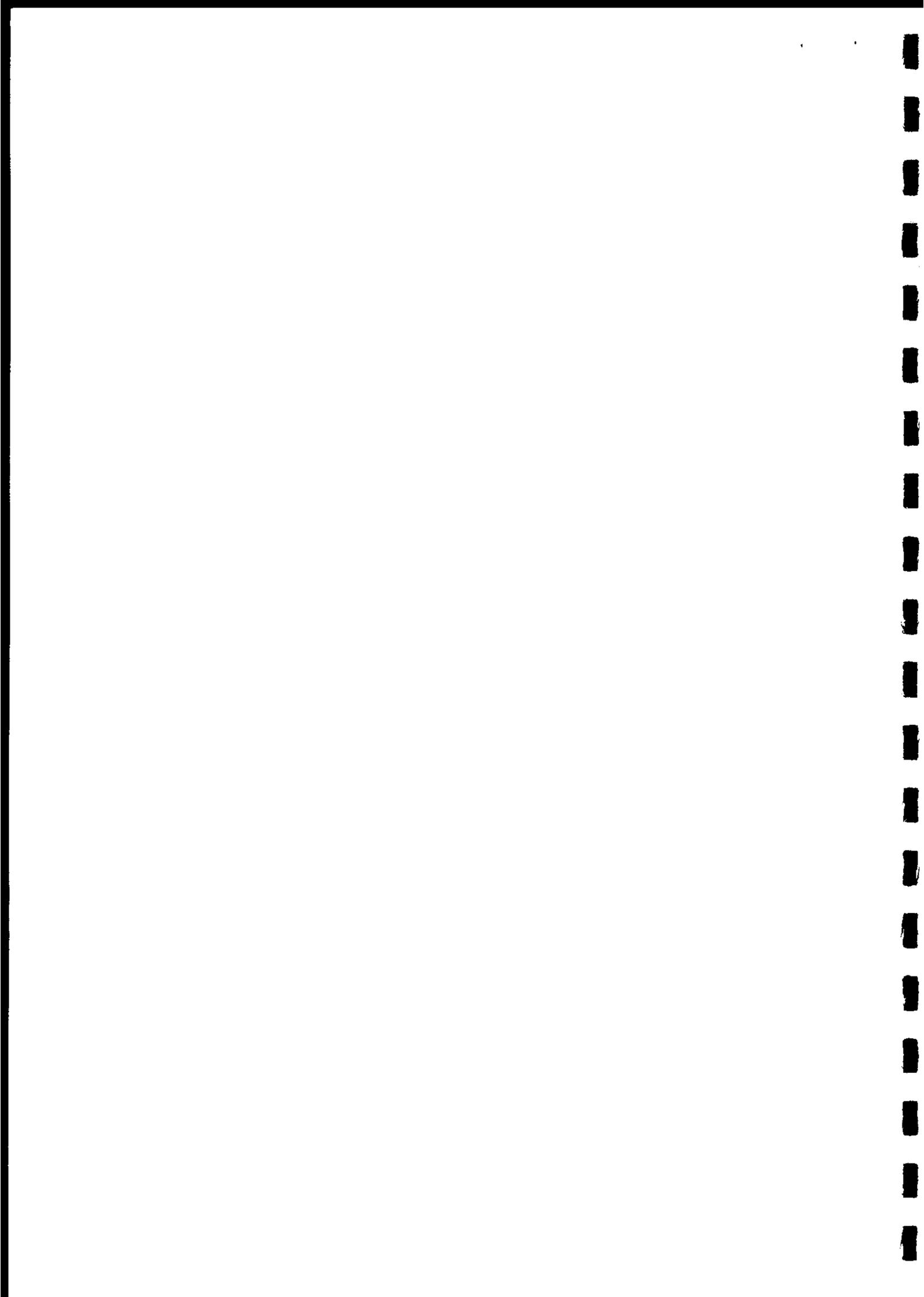
| | 9 months ended 31 December 1999 | Year ended 31 March 1999 |
|---------------------------------------|--|---|
| | £ | £ |
| Auditors' remuneration: | 1,850 | 1,850 |
| Depreciation on tangible fixed assets | 82,966 | 35,004 |

3 Remuneration of directors

None of the directors received any emoluments in respect of their services to the company during the period (year ended 31 March 1999 – nil)

4 Staff numbers and costs

No staff were employed by the company during the period (year ended 31 March 1999 nil).



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NOTES (continued)
(forming part of the financial statements)

5 Interest payable and similar charges

| | 9 months ended 31 December 1999 | Year ended 31 March 1999 |
|---|--|-------------------------------------|
| | £ | £ |
| On loan from immediate parent company | 62,962 | 64,739 |
| On loan from Ridgewood Renewables Limited | 24,410 | 26,079 |
| Other finance costs | 2,015 | 1,020 |
| Interest capitalised | - | (16,346) |
| | 89,387 | 75,492 |

6 Taxation

| | 9 months ended 31 December 1999 | Year ended 31 March 1999 |
|--|--|-------------------------------------|
| | £ | £ |
| Group relief receivable at 30% (31 March 1999:31%) | (31,384) | (1,279) |
| Deferred tax charge | 72,017 | 16,540 |
| Adjustment in respect of prior years | (1,237) | - |
| | 39,396 | 15,261 |

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NOTES (continued)
(forming part of the financial statements)

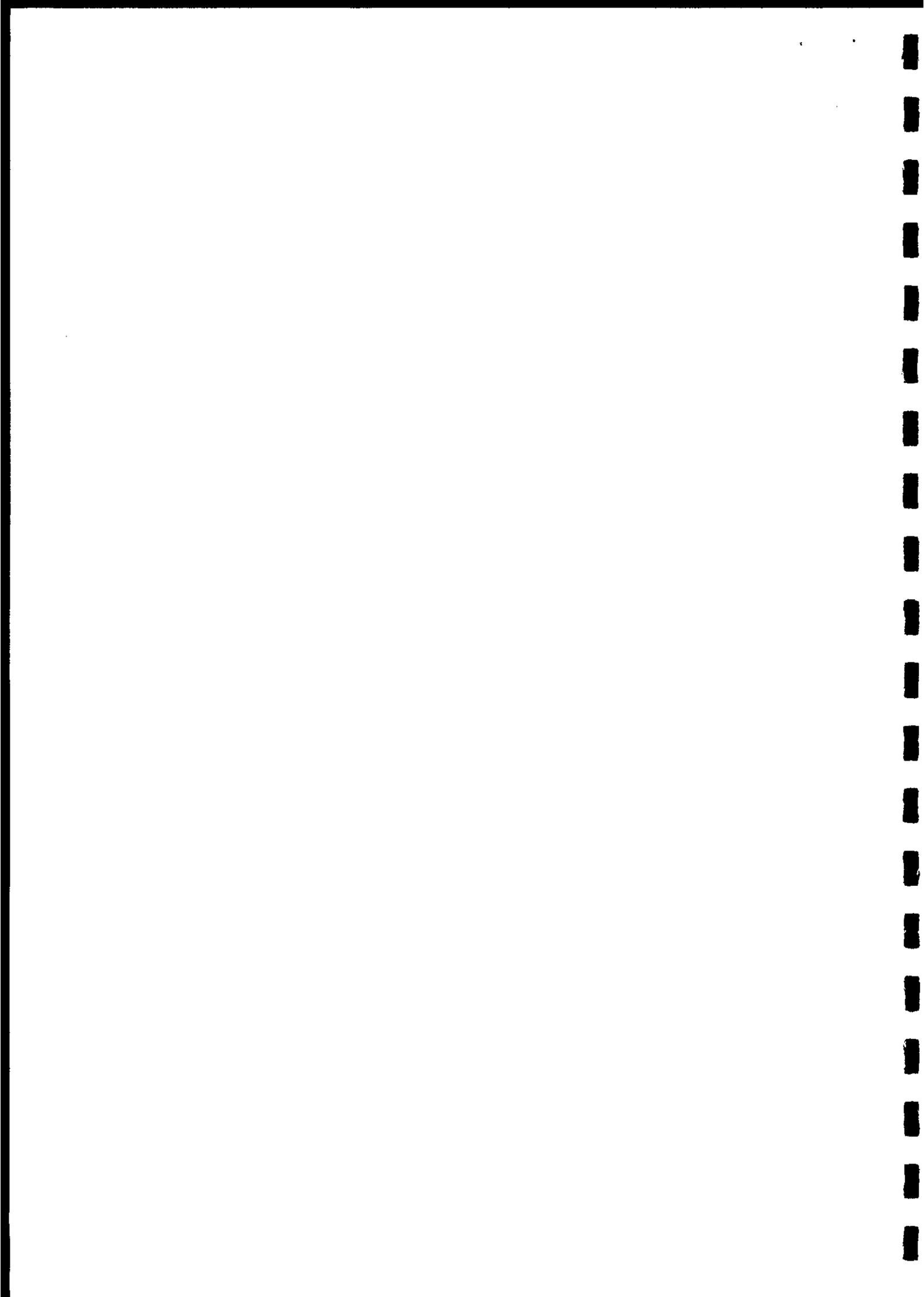
7 Tangible fixed assets

| | Plant and machinery £ |
|----------------------------|--------------------------------------|
| <i>Cost</i> | |
| At beginning of period | 1,331,197 |
| Additions | 590,669 |
| At end of period | 1,921,866 |
| <i>Depreciation</i> | |
| At beginning of period | 35,004 |
| Charge for period | 82,966 |
| At end of period | 117,970 |
| <i>Net book value</i> | |
| At 31 December 1999 | 1,803,896 |
| At 31 March 1999 | 1,296,193 |

8 Debtors

| | 31 December 1999 £ | 31 March 1999 £ |
|---|-------------------------------|----------------------------|
| Trade debtors | 72,257 | 45,734 |
| Amounts due from immediate parent company | 201,825 | 77,309 |
| Prepayments and accrued income | 63,995 | 44,820 |
| Other tax and social security | 73,947 | - |
| Group relief receivable | 32,663 | 1,279 |
| | 444,687 | 169,142 |

All debtors are due within one year.



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NOTES (continued)
(forming part of the financial statements)

9 Creditors: amounts falling due within one year

| | 31 December 1999 | 31 March 1999 |
|--|------------------|---------------|
| | £ | £ |
| Loan from immediate parent company | 78,723 | 66,046 |
| Trade creditors | 30,045 | 485 |
| Amounts due to fellow group undertakings | - | 9,032 |
| Other tax and social security | - | 10,230 |
| Accruals and deferred income | 70,740 | 11,176 |
| | 179,508 | 96,969 |

10 Creditors: amounts falling due after more than one year

| | 31 December 1999 | 31 March 1999 |
|---|------------------|------------------|
| | £ | £ |
| Term loan from immediate parent company | 1,426,038 | 1,013,998 |
| Term loan from Ridgewood Renewables Limited ("RPL") | 419,224 | 292,078 |
| | 1,845,262 | 1,306,076 |

Term loans can be analysed as falling due:

| | Loan from RRL | Immediate parent company |
|-----------------------------------|----------------|--------------------------|
| | £ | |
| In one year or less, or on demand | - | 78,723 |
| Between 1 and 2 years | - | 86,959 |
| Between 2 and 5 years | - | 319,929 |
| In five years or more | 419,224 | 1,019,150 |
| | 419,224 | 1,504,761 |

Interest is payable on the debt at Libor + 1.3125%.

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NOTES (continued)
(forming part of the financial statements)

11 Provisions for liabilities and charges

| | 31 December 1999 £ | 31 March 1999 £ |
|--------------------------|-----------------------|--------------------|
| Deferred taxation | | |
| At beginning of period | 16,540 | - |
| Charge for the period | 70,780 | 16,540 |
| At end of period | 87,320 | 16,540 |

Deferred tax is provided in respect of capital allowances in excess of depreciation.
There is no unprovided deferred taxation as at 31 December 1999 (31 March 1999:£nil).

12 Called up share capital

| | 31 December 1999 £ | 31 March 1999 £ |
|---|-----------------------|--------------------|
| <i>Authorised, allotted, called up and fully paid</i> | | |
| 10,000 ordinary shares of £1 each | 10,000 | 10,000 |

13 Profit and loss account

| | 9 months ended 31 December 1999 £ | 1 year ended 31 March 1999 £ |
|--|---|------------------------------------|
| Retained profit at beginning of period | 35,750 | - |
| Retained profit for period | 90,743 | 35,750 |
| Retained profit at end of period | 126,493 | 35,750 |

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NOTES (continued)
(forming part of the financial statements)

14 Reconciliation of movements in equity shareholders' funds

| | 9 months ended 31 December 1999 | Year ended 31 March 1999 |
|--|--|---|
| | £ | £ |
| Issue of ordinary shares | - | 10,000 |
| Retained profit for the period | 90,743 | 35,750 |
| Net addition to equity shareholders' funds | 90,743 | 45,750 |
| Opening equity shareholders' | 45,750 | - |
| Closing equity shareholders' funds | 136,493 | 45,750 |

15 Commitments

There were no capital commitments at the end of the period.

The company has guaranteed the bank loans of its immediate parent company, Ridgewood Renewables Projects Limited, and its fellow subsidiaries, amounting to £5,758,201 (31 December 1999: £5,395,435) by means of a debenture providing fixed and floating charges over the company's assets.

16 Ultimate parent and controlling company

The company's ultimate parent undertaking is "The Ridgewood Electric Power Trust V" an entity which is registered in the United States. Ridgewood Energy Holdings Corporation, a company registered and incorporated in the United States is the Corporate Trustee of the Trust. The directors consider that Ridgewood Energy Holdings Corporation is the ultimate controlling party of the company at 31 December 1999.

The company's immediate parent undertaking is Ridgewood Renewables Projects Limited, a company incorporated and registered in England and Wales.

The smallest and largest group in which the results of the company are consolidated is that headed by Ridgewood UK Limited. The consolidated financial statements of Ridgewood UK Limited are available from 115 Colmore Row, Birmingham, B3 AL.

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17 Related party transactions

The following transactions took place between the company and related undertakings during the period.

The company paid £115,130 for operation and maintenance costs to C.L.P Services Limited for the 9 months ended 31 December 1999.

The company paid £2,581 for administrative costs to C.L.P Services Limited for the 9 months ended 31 December 1999.

Prior to 30 June 1999, CLP Services Limited and the company were direct and indirect subsidiaries respectively of Ridgewood Renewable Projects Limited (formerly Combined Landfill Projects Limited). CLP Services was sold to a company unrelated to the Ridgewood group of companies on 1 July 1999.