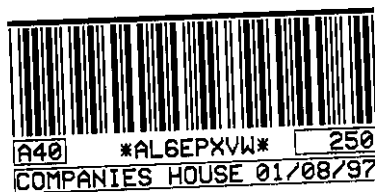

REPORT AND ACCOUNTS

KEADBY DEVELOPMENTS LIMITED

31 March 1997



Keadby Developments Limited

Registered No 2691516

DIRECTORS

P Goldsworthy
A R A Young
M G Faulkner
Dr A W Read
C G Adams
D Sigsworth
G Wilman
Dr J H Martin

- resigned 27 March 1997
- resigned 15 September 1996
- resigned 27 March 1997
- resigned 27 June 1996
- appointed 31 July 1996, resigned 27 March 1997
- appointed 15 September 1996

SECRETARY

L J V Donnelly

SOLICITORS

Masons Solicitors
30 Aylesbury Street
London
EC1R 0ER

REGISTERED OFFICE

PO Box 89
Keadby
Scunthorpe
North Lincolnshire
DN17 3AZ

Keadby Developments Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 March 1997.

RESULTS AND DIVIDENDS

The loss for the year after taxation amounts to £78,000 and is dealt with as shown in the profit and loss account. The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

The company's principal activity during the year continued to be the exploration of various alternatives for the future development and use of the land owned by the company at Keadby, South Humberside.

DIRECTORS

Directors who served during the year are as listed on page 1.

DIRECTORS' INTERESTS

Dr Read and Mr Sigsworth are directors of, and have interests in, the ultimate holding company, Scottish Hydro-Electric plc. The interests are disclosed in the accounts of Scottish Hydro-Electric plc.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit and loss of the company for that period. In preparing those accounts, 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 accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the accounts.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial position of the company and to enable them to ensure that the accounts 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.

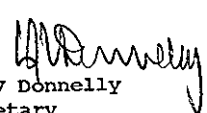
DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

During the year the company purchased and maintained insurance for its directors and officers against liabilities in relation to the company.

AUDITORS

A resolution to appoint KPMG as auditors will be put to the members at the Annual General Meeting.

By order of the Board


L J V Donnelly
Secretary

12 June 1997

Keadby Developments Limited

REPORT OF THE AUDITORS

to the Members of Keadby Developments Limited

We have audited the accounts on Pages 4 to 8 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on Page 6.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on Page 2 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

OPINION

In our opinion, the accounts give a true and fair view of the state of affairs of the company as at 31 March 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Chartered Accountants
Registered Auditor
HULL

12 June 1997

Keadby Developments Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 March 1997

	Notes	1997 £000	1996 £000
Operating charges	2	56	31
OPERATING LOSS	3	(56)	(31)
Interest payable	4	22	21
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(78)	(52)
Tax on loss on ordinary activities	5	-	-
LOSS FOR THE FINANCIAL YEAR	11	(78)	(52)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the loss attributable to shareholders of the company of £78,000 (1996 - £52,000).

Keadby Developments Limited


BALANCE SHEET

at 31 March 1997

	Notes	1997 £000	1996 £000
FIXED ASSETS			
Tangible assets	7	1,890	1,890
CURRENT ASSETS			
Debtors	8	7	-
CREDITORS: amounts falling due within one year	9	382	297
NET CURRENT LIABILITIES		(375)	(297)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,515	1,593
CAPITAL AND RESERVES			
Called up share capital	10	1,890	1,890
Profit and loss account	11	(375)	(297)
EQUITY SHAREHOLDERS' FUNDS	12	1,515	1,593



Dr A W Read


Dr J H Martin

Directors

12 June 1997

Keadby Developments Limited

NOTES TO THE ACCOUNTS at 31 March 1997

1 ACCOUNTING POLICIES

Accounting Convention. The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Depreciation. Freehold land is not depreciated.

2 OPERATING CHARGES

	1997 £000	1996 £000
Operating charges	56	31

3 OPERATING LOSS

This is stated after charging:

	1997 £000	1996 £000
Auditors' remuneration	2	2
Directors' remuneration	NIL	NIL

4 INTEREST PAYABLE

	1997 £000	1996 £000
Bank loans and overdrafts	22	21

5 TAX ON LOSS ON ORDINARY ACTIVITIES

No tax charge has arisen due to the loss made by the company and there are losses available to be carried forward against future trade.

6 STAFF NUMBERS

The average number of persons employed by the company during the year was NIL (1996 - NIL).

7 TANGIBLE FIXED ASSETS

	Freehold Land £000
Cost At 31 March 1997 and 31 March 1996	1,890

Keadby Developments Limited

NOTES TO THE ACCOUNTS at 31 March 1997

8	<u>DEBTORS</u>	1997 £000	1996 £000
	Other debtors	7	-
		<u>7</u>	<u>-</u>
9	<u>CREDITORS</u>	1997 £000	1996 £000
	Bank overdraft	369	293
	Trade creditors	-	1
	Accruals	3	3
	Amounts owed to ultimate parent undertaking	10	-
		<u>382</u>	<u>297</u>
The bank overdraft is secured by a guarantee from Scottish Hydro-Electric plc.			
10	<u>SHARE CAPITAL</u>	1997 £000	1996 £000
	Authorised, allotted, called up and fully paid shares of £1 each		
	A Ordinary shares)	945	945
	B Ordinary shares)	945	945
		<u>1,890</u>	<u>1,890</u>
11	<u>PROFIT AND LOSS ACCOUNT</u>		£000
	At 1 April 1996		(297)
	Loss for the year		(78)
			<u>(375)</u>
	At 31 March 1997		
12	<u>RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS</u>	1997 £000	1996 £000
	At 1 April	1,593	1,645
	Loss attributable to the members	(78)	(52)
		<u>1,515</u>	<u>1,593</u>
	At 31 March		

Keadby Developments Limited

NOTES TO THE ACCOUNTS
at 31 March 1997

13 CONTINGENT LIABILITY

£78,000 of costs have been incurred on a development project which may be recharged to the company if the project is cancelled or completed.

14 ULTIMATE HOLDING COMPANY

The company's ultimate parent undertaking is Scottish Hydro-Electric plc, registered in Scotland. Copies of the Group accounts, which include the company, can be obtained from 10 Dunkeld Road, Perth, PH1 5WA.

The company has taken advantage of the exemption in FRS 8 from disclosing transactions with related parties that are part of the Scottish Hydro-Electric group.