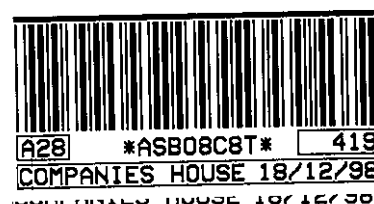


Registered No.
2691516

Keadby Developments Limited

Accounts for the Year Ended 31 March 1998

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Keadby Developments Limited

Report of the Directors

The Directors present their report together with the audited Accounts for the year ended 31 March 1998.

1. Principal Activities

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.

2. Share Capital

The Company's authorised share capital is £1,890,000 divided into 945,000 A ordinary shares of £1 each and 945,000 B ordinary shares of £1 each.

3. Results and Dividends

The retained loss for the financial year amounted to £48,000 (1997 - £78,000). The Directors do not recommend the payment of a dividend.

4. Directors

The Directors who served during the year were as follows:-

Arnold Read
David Sigsworth
James Martin

All of the Directors listed above served for the whole of the period, with the exception of Arnold Read who resigned as a Director on 7 November 1997. David Gray was appointed as a Director on 30 July 1998.

Keadby Developments Limited

Report of the Directors

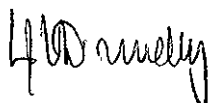
6. Directors' Interests in Ultimate Holding Company

The interests of David Sigsworth in the shares of the Company's ultimate holding company, Scottish Hydro-Electric plc, are noted in the accounts of Scottish Hydro-Electric plc.

The interests of James Martin in the shares of Scottish Hydro-Electric plc are as follows:

	31 March 1998		31 March 1997	
	No. of shares beneficially held	No. of shares under option	No. of shares beneficially held	No. of shares under option
James Martin	868	61,000	868	41,000

By order of the Board



L J V Donnelly
Secretary
4 December 1998

Keadby Developments Limited

Directors' Responsibilities for Preparation of the Accounts

The following statement, which should be read in conjunction with the statement of auditors' responsibilities included in the auditors' report on page 4, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the auditors in relation to the Accounts.

The Directors are required by the Companies Act 1985 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year. The Directors are required to use a going concern basis in preparing the Accounts unless this is inappropriate.

The Directors consider that, in preparing the Accounts on pages 5 to 9, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

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 have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to guard against fraud and other irregularities.

Keadby Developments Limited**Report of the Auditors to the Members of
Keadby Developments Limited**

We have audited the Accounts on pages 5 to 9.

Respective Responsibilities of Directors and Auditors

As described on page 3, 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 the Company's affairs as at 31 March 1998 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor
Edinburgh
4 December 1998

Keadby Developments Limited

Accounting Policies

Basis of Accounting

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

Under Financial Reporting Standard 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that the ultimate parent undertaking includes the Company in its own published consolidated financial statements.

As the Company is a wholly owned subsidiary of Scottish Hydro-Electric plc, it has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the Scottish Hydro-Electric Group.

Depreciation

Freehold land is not depreciated.

Keadby Developments Limited

Profit and Loss Account for the Year Ended 31 March 1998

	Note	1998 £000	1997 £000
Administration costs		<u>48</u>	<u>56</u>
Operating loss	1	<u>48</u>	<u>56</u>
Interest payable	3	<u>-</u>	<u>22</u>
Loss on ordinary activities before taxation		48	78
Tax on loss on ordinary activities	4	<u>-</u>	<u>-</u>
Retained loss for the financial year	9	<u>48</u>	<u>78</u>

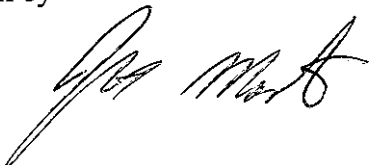
Other than the retained loss for the financial year, there are no other recognised gains or losses - such loss represents the movement in equity shareholders' funds.

Keadby Developments Limited

Balance Sheet as at 31 March 1998

	Note	1998 £000	1997 £000
Fixed assets			
Tangible assets	5	<u>1,890</u>	<u>1,890</u>
Current assets			
Debtors	6	1	7
Cash at bank and in hand		<u>6</u>	<u>-</u>
		7	7
Creditors: amounts falling due within one year	7	<u>430</u>	<u>382</u>
Net current liabilities		<u>(423)</u>	<u>(375)</u>
Net assets		<u>1,467</u>	<u>1,515</u>
Capital and reserves			
Called up share capital	8	1,890	1,890
Profit and loss account	9	<u>(423)</u>	<u>(375)</u>
Equity shareholders' funds		<u>1,467</u>	<u>1,515</u>

These Accounts were approved by the Board of Directors on 4 December 1998 and signed on their behalf by



Dr J H Martin, Director

Keadby Developments Limited

Notes on the Accounts for the Year Ended 31 March 1998

1. Operating loss

The operating loss is arrived at after charging:

	1998 £000	1997 £000
Auditors' remuneration	<u>2</u>	<u>2</u>

2. Directors' Remuneration

No Director received remuneration in respect of their service to the Company (1997 - nil).
There were no staff employed during the year (1997 - nil).

3. Interest payable

	1998 £000	1997 £000
Bank loans and overdrafts	<u>-</u>	<u>22</u>

4. 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.

5. Tangible fixed assets

	Freehold Land £000
Cost:	
At 31 March 1998 and 31 March 1997	<u>1,890</u>

6. Debtors

	1998 £000	1997 £000
Amounts owed by ultimate parent undertaking	<u>1</u>	<u>7</u>

Keadby Developments Limited

Notes on the Accounts for the Year Ended 31 March 1998

7. Creditors: Amounts falling due within one year

	1998 £000	1997 £000
Bank overdraft	-	369
Accruals	4	3
Amounts owed to ultimate parent undertaking	<u>426</u>	<u>10</u>
	<u>430</u>	<u>382</u>

8. Share capital

	1998 £000	1997 £000
Authorised, allotted, called up and fully paid shares of £1 each		
945,000 - A ordinary shares of £1 each	945	945
945,000 - B ordinary shares of £1 each	<u>945</u>	<u>945</u>
	<u>1,890</u>	<u>1,890</u>

9. Profit and loss account

	1998 £000	1997 £000
At 1 April	(375)	(297)
Retained loss for the financial year	<u>(48)</u>	<u>(78)</u>
At 31 March	<u>(423)</u>	<u>(375)</u>

10. 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, are available from 10 Dunkeld Road, Perth, PH1 5WA.