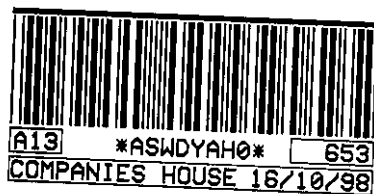


Sterling Gas Limited
(previously Statco Eight Limited)
Company Number: 3407430

Report and Financial Statements
31 December 1997

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Sterling Gas Limited
(previously Statco Eight Limited)
OFFICERS AND PROFESSIONAL ADVISORS

Directors	A.N. Halford C.J. Boon
Secretary	J.V.Dawes
Registered Office	P O Box 444, Woodyard Lane, Wollaton, Nottingham NG8 1EZ
Auditors	Deloitte & Touche Chartered Accountants and Registered Auditors Hill House 1 Little New Street London EC4A 3TR

Sterling Gas Limited
(previously Statco Eight Limited)
REPORT OF THE DIRECTORS

The Directors present their report and audited financial statements for the five month period ended 31 December 1997.

The company was incorporated on 17 July 1997 as Statco Eight Limited and it changed its name by Special Resolution to Sterling Gas Limited on 29 July 1997.

On 11 August 1997, the company shortened its accounting reference date from 31 July to 31 December resulting in a five month accounting period.

Principal Activities and Business Review

The principal activity of the Company is the supply, trading and shipping of Natural Gas.

The Company was dormant throughout the period and commenced trading on 1 January 1998, when it acquired the gas business of its parent East Midlands Electricity plc. Accordingly, for the period ended 31 December 1997 there have been no income or expenditure on the revenue account and therefore the company made neither a profit or loss.

The Company is a wholly owned subsidiary of East Midlands Electricity plc, which was a subsidiary of DR Group Holdings until 27 July 1998, when it was acquired by the PowerGen Group.

Share Capital

On 22 January 1998 the Company increased its authorised share capital from £1,000 to £3,000,000 ordinary shares of £1 and issued 836,407 shares as consideration for the purchase of the gas business of its parent.

The Company issued 2,163,591 shares at par value on 20 March 1998.

Results and dividends

The results of the Company for the five month period ended 31 December 1997 are shown in the attached financial statements together with notes thereon.

The Directors do not recommend the payment of a dividend.

Directors and their interests.

The directors of the Company during the period were as follows:

East Midlands Electricity Secretaries Limited (Appointed 17 July 1997, resigned 21 July 1997)
East Midlands Electricity Directors Limited (Appointed 17 July 1997, resigned 21 July 1997)
A.N. Halford (Appointed 21 July 1997)
C.J. Boon (Appointed 21 July 1997)

During the period neither of the directors or their families had any registered interest in the share capital of the Company or DR Group Holdings, the ultimate UK parent company.

Sterling Gas Limited
(previously Statco Eight Limited)
REPORT OF THE DIRECTORS (cont)

Creditors Payment Policy

The Company's policy is normally to pay trade creditors according to agreed terms and conditions of business. The payment terms are negotiated and agreed with suppliers upon entering each transaction and providing goods and services have been supplied in accordance with their contracts it is Company policy to adhere to these terms in accordance with its contractual and other legal obligations. Wherever possible, the Company follows the agreed policy adopted by the Group. Payment associated with gas purchase together with distribution services are subject to specific terms of supply.

Auditors

On 21 July 1997 the directors appointed Deloitte & Touche the first auditors of the Company. In accordance with the provisions under Section 379A of the Companies Act 1989 elective resolutions were passed at an Extraordinary General Meeting on the same date dispensing with both obligations of holding Annual General Meetings and appointing auditors annually.

Statement of director's responsibilities

The directors are required to present for each accounting period financial statements which comply with the provisions of the Companies Act 1985 and give a true and fair view of the state of affairs of the company as at the end of the accounting period and of its profit or loss for that period. In preparing the financial statements the directors are required to select suitable accounting policies, supported by reasonable and prudent judgements and estimates and to ensure these are consistently applied and applicable accounting standards have been followed.

The directors are required to 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 also responsible for maintaining adequate accounting records and for safeguarding the assets of the company and for taking reasonable steps to prevent and detect fraud and other irregularities.

The directors confirm compliance with these requirements.

Approved by the Board of Directors
and signed on its behalf by:



J.V. Dawes
21 September 1998

**AUDITORS' REPORT TO THE MEMBERS OF
Sterling Gas Limited
(previously Statco Eight Limited)**

We have audited the financial statements on pages 5 to 8 which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 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 1997 and of its result for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and
Registered Auditors

Hill House
1 Little New Street
London EC4A 3TR

14 October 1998 .

Sterling Gas Limited
(previously Statco Eight Limited)
PROFIT AND LOSS ACCOUNT
5 Months to 31 December 1997

The company had no profit or loss or other recognised gains or losses or movements in shareholders' funds in the period.

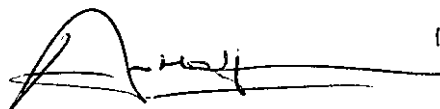
Sterling Gas Limited
 (previously Statco Eight Limited)
BALANCE SHEET
As at 31 December 1997

		31 December 1997
<i>Note</i>		£
	CURRENT ASSETS	
5	Debtors	2
	<hr/>	<hr/>
	CAPITAL AND RESERVES	
6	Called up share capital	2
	Profit and loss account	-
	<hr/>	<hr/>
	EQUITY SHAREHOLDERS' FUNDS	2
	<hr/>	<hr/>

The financial statements on pages 5 to 8 were approved by the board of directors on 21 September 1998 and were signed on its behalf by



C.J. Boon
 Director



A.N. Halford
 Director

Sterling Gas Limited
 (previously Statco Eight Limited)
NOTES TO THE ACCOUNTS
 5 Months to 31 December 1997

1. ACCOUNTING POLICIES

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

Basis of preparation

The financial statements have been prepared under the historical cost convention.

2. RESULT ON ORDINARY ACTIVITIES BEFORE TAXATION

The company did not trade in the period.

3. DIRECTORS AND EMPLOYEES

The directors are remunerated by East Midlands Electricity plc. They do not receive remuneration in respect of their services as directors of Sterling Gas Limited and it is not practicable to allocate their remuneration for other services rendered.

4. TAX CHARGE ON ORDINARY ACTIVITIES

The company did not trade in, and there is no taxation charge for, the period.

5. DEBTORS

Amounts falling due within one year :

Amount due from parent undertaking	2
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6. CALLED-UP SHARE CAPITAL

Authorised share capital :

1000 ordinary shares of £1	1,000
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Allotted and fully paid :

2 ordinary shares of £1	2
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On 17 July 1997 the Company issued 2 Ordinary Shares of £1 called up and fully paid for a total consideration of £2.

Sterling Gas Limited
 (previously Statco Eight Limited)
NOTES TO THE ACCOUNTS (Continued)
 5 Months to 31 December 1997

7. POST BALANCE SHEET EVENTS

On 22 January 1998 the Company increased its authorised share capital to 3,000,000 Ordinary Shares of £1.

On 22 January 1998 the Company issued 836,407 Ordinary Shares of £1 as consideration for the purchase of the gas business of its parent.

On 20 March 1998 the Company issued 2,163,591 Ordinary Shares of £1 called up and fully paid for a total consideration of £2,163,591.

With effect from 1 January 1998 the Company acquired the gas business of its parent, East Midlands Electricity plc, and commenced trade.

The consideration and assets acquired comprised:

	£
Ordinary Shares of £1	836,407
Tangible Fixed Assets	2,954,742
Debtors	2,419,893
Creditors due within one year	(4,538,228)
	<u>836,407</u>

8. PARENT UNDERTAKING AND ULTIMATE PARENT UNDERTAKING

The parent company of Sterling Gas Limited is East Midlands Electricity plc, a company registered in England and Wales. Dominion Resources, Inc., which is incorporated in the United States of America and listed on the New York Stock Exchange, was considered by the directors to be the company's ultimate parent undertaking until 27 July 1998. With effect from that date the East Midlands Electricity plc group was acquired by the Powergen plc group of companies.

The largest group, which has published financial statements in which the results of the company are consolidated is that of which Dominion Resources, Inc. is the parent company.

The consolidated accounts of Dominion Resources, Inc. for the year ended 31 December 1997 can be obtained from:

Corporate Secretary
 Dominion Resources, Inc.
 P.O.Box 26532
 Richmond
 Virginia 23261-6532

The smallest such group is that of which the East Midlands Electricity plc is the parent company. Copies of the group accounts of East Midlands Electricity plc can be obtained from:

The Company Secretary and Solicitor,
 East Midlands Electricity plc
 P O Box 444,
 Woodyard Lane,
 Wollaton,
 Nottingham NG8 1EZ