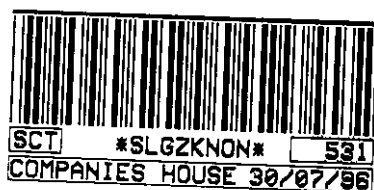


Registered No.
126049

HE Trustees Limited

Accounts for the Year Ended 31 March 1996

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HE Trustees Limited

Report of the Directors

The Directors present their sixth report together with the audited Accounts for the year ended 31 March 1996.

1. Activities

The Company's ordinary activity is to act as trustee in respect of any employee share scheme established by Scottish Hydro-Electric plc.

2. Review of Developments and Future Prospects

On 29 May 1991, 1,052,042 ordinary shares in Scottish Hydro-Electric plc were allotted to HE Trustees Limited, of which 351,303 shares have been transferred to members, or beneficiaries of deceased members, of The Scottish Hydro-Electric plc Trust Scheme. Additionally, 65 shares were transferred to the Secretary of State for Scotland, due to a double application for shares by a member of the Trust Scheme, leaving a balance of 700,674 shares.

These shares are being held in trust on behalf of employees of Scottish Hydro-Electric plc.

The Directors do not anticipate any changes in activities in the forthcoming period.

3. Share Capital

The Company's authorised share capital is £1,000 divided into 1000 shares of £1 each.

4. Dividends

As the Company made neither a profit nor loss in the year, the Directors do not propose any dividends.

5. Directors

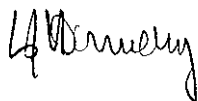
The Directors of the Company who served during the year to 31 March 1996 were John Gray and Alan Scott.

HE Trustees Limited**Report of the Directors****6. Directors' Interests in Ultimate Holding Company**

The interests of John Gray 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 Alan Scott in the shares of Scottish Hydro-Electric plc are as follows:

	31 March 1996	31 March 1995
Number of shares beneficially held	-	-
Number of shares under option	59,124	34,124

ON BEHALF OF THE BOARD



L J V Donnelly
Company Secretary
12 June 1996

HE Trustees Limited

Directors' Responsibilities for Preparation of the Accounts

The following statement, which should be read in conjunction with the auditors' 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 consider that in preparing the Accounts on pages 5 to 7, 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 required to use a going concern basis in preparing the Accounts unless this is inappropriate.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the Accounts comply with the Companies Act 1985.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

HE Trustees Limited**Report of the Auditors to the Members of
HE Trustees Limited**

We have audited the Accounts on pages 5 to 7.

Respective Responsibilities of Directors and Auditors

As described on page 3 the Company's Directors are responsible for the preparation of 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 1996 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG
Chartered Accountants
Registered Auditors
Edinburgh and Dundee
12 June 1996

HE Trustees Limited

Accounting Policies

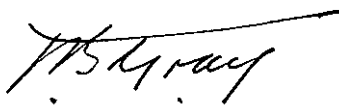
1. Basis of Accounting

The Accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

HE Trustees Limited**Balance Sheet as at 31 March 1996**

	Note	1996 £	1995 £
Current assets			
Debtors			
Amount due by Scottish Hydro-Electric plc		<u>2</u>	<u>2</u>
Net assets		<u>2</u>	<u>2</u>
Capital and reserves			
Called up share capital	4	<u>2</u>	<u>2</u>
		<u>2</u>	<u>2</u>

These Accounts were approved by the Board of Directors on 12 June 1996 and signed on their behalf
by



J B Gray, Finance Director

HE Trustees Limited

Notes on the Accounts for the Year Ended 31 March 1996

1. Profit and Loss Account

During the year and preceding financial year, the Company received no income and incurred no expenditure. Consequently, during these years the Company made neither a profit nor a loss.

2. Cash Flow

A cash flow statement is not presented as the Company is a wholly owned subsidiary undertaking of Scottish Hydro-Electric plc, whose accounts include a consolidated cash flow statement dealing with the cash flows of the Group.

3. Shares Held In Trust

The Company holds 700,674 ordinary shares of Scottish Hydro-Electric plc (1995 - 709,746), held in trust on behalf of employees of that company and its subsidiaries. The shares were transferred to HE Trustees Limited at nil consideration by the Secretary of State for Scotland under Free Offer and Matching Offer schemes.

4. Directors' and Staff Remuneration

No Director received remuneration in respect of their service to the Company (1995 - nil). There were no staff employed during the year (1995 - nil).

5. Called Up Share Capital

	1996	1995
	£	£
Authorised:		
1,000 Ordinary Shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid:		
2 Ordinary Shares of £1 each	<u>2</u>	<u>2</u>

6. Ultimate Parent Company

The Company's ultimate parent company is Scottish Hydro-Electric plc, a company registered in Scotland. Accounts of Scottish Hydro-Electric plc are available from 10 Dunkeld Road, Perth, PH1 5WA.