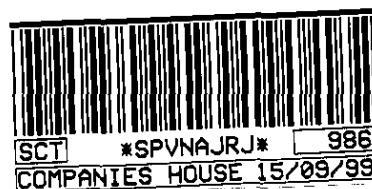


REGISTERED NO.
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HE Leasing Limited

Accounts for the year ended 31 March 1999

CONTENTS	Page No.
Report of the Directors	1-2
Directors' Responsibilities for Preparation of the Accounts	3
Auditor's Report on the Accounts	4
Profit and Loss Account	5
Balance Sheet	6
Notes on the Accounts	7-9



HE Leasing Limited

Report of the Directors

The Directors present their report together with the audited Accounts for the year ended 31 March 1999.

1. Principal Activities

The Company's principal business is that of a leasing company.

2. Review of Developments and Future Prospects

The Company's main purpose is to enter into leasing arrangements associated with the electricity business of its parent company, Scottish and Southern Energy plc (formerly Scottish Hydro-Electric plc) and during the year a further contract to lease out standby generating equipment was entered into.

3. Share Capital

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

4. Results and Dividends

The retained profit for the financial year amounted to £47,355 (1998 - £8,495). The Directors do not recommend the payment of a dividend. The retained profit has been transferred to reserves.

5. Directors

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

Fraser Alexander

David Gray (appointed 30 July 1998)

John Gray (resigned 30 July 1998)

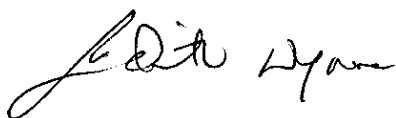
HE Leasing Limited**Report of the Directors****6. Directors' Interests in Ultimate Holding Company**

The interests of David Gray in the shares of the Company's ultimate holding company, Scottish and Southern Energy plc, are noted in the Accounts of Scottish and Southern Energy plc.

The interests of Fraser Alexander in the shares of Scottish and Southern Energy plc are as follows:

	31 March 1999		31 March 1998	
	No. of shares beneficially held	No. of shares under option	No. of shares beneficially held	No. of shares under option
Fraser Alexander	661	28,675	964	19,315

ON BEHALF OF THE BOARD



J Wynne
Company Secretary
9 June 1999

HE Leasing 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 prevent and detect fraud and other irregularities.

HE Leasing Limited**Auditor's Report to the Members of
HE Leasing 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 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 1999 and of its profit 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
9 June 1999

HE Leasing Limited**Profit and Loss Account
for the year ended 31 March 1999**

	Note	1999 £	1998 £
Turnover		120,272	48,695
Administration costs		<u>78,634</u>	<u>40,200</u>
Operating profit		41,638	8,495
Taxation	3	<u>(5,717)</u>	<u>-</u>
Retained profit for the financial year	7	<u>47,355</u>	<u>8,495</u>

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

HE Leasing Limited**Balance Sheet as at 31 March 1999**

	Note	1999 £	1998 £
Current assets			
Debtors	4	776,030	246,820
Creditors: amounts falling due within one year	5	<u>720,178</u>	<u>238,323</u>
Net assets		<u>55,852</u>	<u>8,497</u>
Capital and reserves			
Called up share capital	6	2	2
Profit and loss account	7	<u>55,850</u>	<u>8,495</u>
Equity shareholders' funds		<u>55,852</u>	<u>8,497</u>

These Accounts were approved by the Board of Directors on 9 June 1999 and signed on their behalf by



D M Gray, Director

HE Leasing Limited

Notes on the Accounts for the year ended 31 March 1999

1. Principal accounting policies

Basis of accounting

The Accounts have been 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 and Southern Energy 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 and Southern Energy Group.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of lease finance to customers.

Finance Leases

Finance lease income is allocated to accounting periods so as to give a constant rate of return on the net cash investment in the lease. The total net investment in the finance leases included in the balance sheet represents total lease payments receivable net of finance lease income relating to future accounting periods.

2. Directors' and staff remuneration

No Director received remuneration in respect of their service to the Company (1998 - nil).

There were no staff employed during the year (1998 - nil).

3. Tax on profit on ordinary activities

Based on the profit for the year:

	1999 £	1998 £
Payment receivable for group relief	<u>5,717</u>	<u>-</u>

HE Leasing Limited**Notes on the Accounts
for the year ended 31 March 1999****4. Debtors**

	1999 £	1998 £
Amounts owed by parent company	173,003	47,014
Trade debtors - amounts receivable under finance leases	<u>603,027</u>	<u>199,806</u>
	<u>776,030</u>	<u>246,820</u>

Trade debtors include lease rentals receivable outwith one year amounting to £339,940 (1998 - £125,488). The cost of assets held for the purpose of letting under finance leases was £578,304 (1998 - £207,425).

**5. Creditors: amounts falling due
within one year**

	1999 £	1998 £
Trade creditors	106,254	24,399
Amounts owed to parent company	<u>613,924</u>	<u>213,924</u>
	<u>720,178</u>	<u>238,323</u>

6. Share capital

	1999 £	1998 £
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>

7. Profit and loss account

	£
Balance at 1 April 1998	8,495
Retained profit for the financial year	<u>47,355</u>
Balance at 31 March 1999	<u>55,850</u>

HE Leasing Limited**Notes on the Accounts
for the year ended 31 March 1999****8. Year 2000**

The Directors have considered the potential impact and extent of Year 2000 compatibility on the Company and its operations. They are satisfied that the Company can adequately address the issues and do not foresee any material problems with respect to customers, suppliers and other relevant parties.

9. Ultimate holding company

The Company's ultimate holding company is Scottish and Southern Energy plc, a company registered in Scotland. Accounts of Scottish and Southern Energy plc are available from 10 Dunkeld Road, Perth, PH1 5WA.