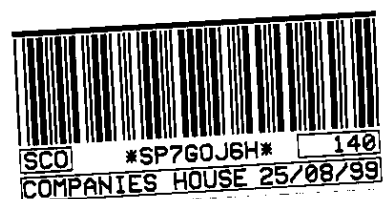


Springs and Falls Limited**Report and Financial Statements****59 Weeks Ended****31 December 1998***IAM*

Springs and Falls Limited

Annual report and financial statements for the 59 weeks ended 31 December 1998

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Directors

George Quintard
Hughes Charles Albanel

Secretaries and registered office

Jordan Company Secretaries Limited, 24 Great King Street, Edinburgh EH3 6QN

Company number

180478

Accountants

BDO Stoy Hayward, Ballantine House, 168 West George Street, Glasgow G2 2PT

Springs and Falls Limited

Report of the directors for the 59 weeks ended 31 December 1998

The directors present their report together with the financial statements for the 59 weeks ended 31 December 1998. The company was incorporated on 11 November 1997.

Results and dividends

The profit and loss account is set out on page 3 and shows the result for the period.

The directors do not recommend the payment of a dividend.

Principal activities, trading review and future developments

The company's principal activity is investing in small hydro power plants.

The directors consider the state of the company to be satisfactory and are actively seeking further investment opportunities to pursue in the current year.

Year 2000

The directors have assessed the potential impact on management information and operating systems, and consider that the change over to the new millennium will not cause any major disruption or involve significant cost to the company.

Directors

The directors of the company during the period were:

George Quintard (appointed 29 September 1998)

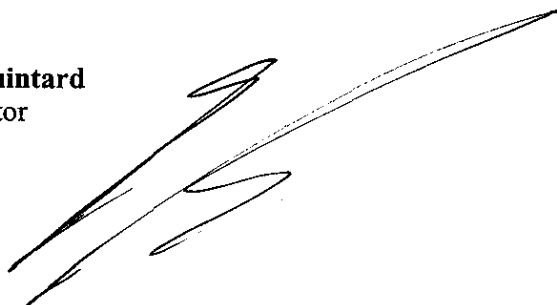
Hughes Charles Albanel (appointed 11 November 1997)

Philip Mark Croshaw (appointed 12 December 1997, resigned 1 July 1998)

No director had any beneficial interest in the share capital of the company.

The financial statements were approved by the Board on 25 June 1999.

G. Quintard
Director

A large, stylized handwritten signature in black ink, likely belonging to G. Quintard, is written over the printed name and title.

Springs and Falls Limited**Accountants' report**

Accountants' report on the unaudited accounts to the directors of Springs and Falls Limited

As described on the balance sheet you are responsible for the preparation of the accounts for the period ended 31 December 1998, set out on pages 3 to 9, and you consider that the company is exempt from an audit. In accordance with your instructions, we have compiled these unaudited accounts in order to assist you to fulfil your statutory responsibilities, from the accounting records and information and explanations supplied to us.

B.D.O. Stoy Hayward

Chartered Accountants

25 June 1999

Springs and Falls Limited

Profit and loss account for the 59 weeks ended 31 December 1998

		£
Turnover		-
Administrative expenses		2,060
		<hr/>
Operating loss		(2,060)
Interest payable and similar charges	4	(420)
		<hr/>
Loss on ordinary activities before taxation		(2,480)
Taxation on loss on ordinary activities	5	-
		<hr/>
Retained Loss for the period		(2,480)
		<hr/>

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

The notes on pages 6 to 9 form part of these financial statements.

Springs and Falls Limited

Balance sheet at 31 December 1998

	Note	£	1998 £
Fixed assets			
Investments	6		24,065
Current assets			
Cash at bank and in hand		786	
Creditors: amounts falling due within one year	7	4,801	
Net current liabilities			(4,015)
Total assets less current liabilities			20,050
Creditors: amounts falling due after more than one year	8		22,528
Net liabilities			(2,478)
Capital and reserves			
Called up share capital	9		2
Profit and loss account	10		(2,480)
Equity shareholders' funds	11		(2,478)

The directors have taken advantage of the exemption conferred by section 249A(1) not to have these financial statements audited and confirm that no notice has been deposited under section 249B(2) of the Companies Act 1985.

The directors acknowledge their responsibilities for:

- (a) ensuring that the company keeps accounting records which comply with section 221 of the Companies Act 1985; and
- (b) preparing financial statements which give a true and fair view of the state of affairs of the company as at 31 December 1998 and of its loss for the period then ended in accordance with the requirement of section 226 and which otherwise comply with the requirements of the Companies Act 1985 relating to financial statements, so far as applicable to the company.

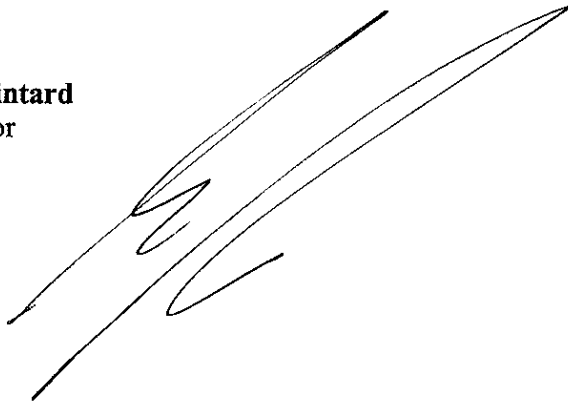
The notes on pages 6 to 9 form part of these financial statements.

Springs and Falls Limited

Balance sheet at 31 December 1998 (*continued*)

The financial statements were approved by the Board on 25 June 1999.

G. Quintard
Director

A handwritten signature in black ink, consisting of several fluid, overlapping strokes, positioned to the right of the printed name and title.

The notes on pages 6 to 9 form part of these financial statements.

Springs and Falls Limited

Notes forming part of the financial statements for the 59 weeks ended 31 December 1998

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes, to the extent that it is probable that a liability or asset will crystallise.

2 Employees

The company incurred no staff costs during the period.

The average monthly number of employees (including directors) during the period was as follows:

	Number
Administration	2
	=====

3 Directors

No director received any emoluments during the period.

4 Interest payable and similar charges

	£
On loans and overdrafts	420
	=====

5 Taxation

No liability to corporation tax arises due to the loss for the period.

Springs and Falls Limited

Notes forming part of the financial statements for the 59 weeks ended 31 December 1998 (*Continued*)

6 Fixed asset investments

	Investment in participating interests £
<i>Cost and net book value</i>	
Additions	24,065
	<hr/>
At 31 December 1998	24,065
	<hr/>

During the period, the company purchased a participating interest in Sarl Hydrowatt, a company registered in France, comprising a holding of 42.8% of its issued Ordinary share capital. During its latest financial year, Sarl Hydrowatt made a profit after tax of £55,098 and at the end of that year the aggregate of its capital and reserves was £282,028.

7 Creditors: amounts falling due within one year

	1998 £
Loan - Glendrake Limited	3,382
Accruals and deferred income	1,419
	<hr/>
	4,801
	<hr/>

Springs and Falls Limited

Notes forming part of the financial statements for the 59 weeks ended 31 December 1998 (*Continued*)

8 Creditors: amounts falling due after more than one year

	1998 £
Loan - Glendrake Limited	22,528
Included within the above are amounts falling due as follows:	
In 1 - 2 years:	
Loan instalments	3,483
In 2 - 5 years:	
Loan instalments	11,088
In more than 5 years:	
Loan instalments	7,957
	22,528

The loan from Glendrake Limited of £25,910 received in 1998 is repayable in equal annual instalments over seven years, commencing 30 June 1999, and bears interest of 3% per annum.

9 Called up share capital

	Authorised 1998 £	Allotted, called up and fully paid 1998 £
Ordinary shares of £1 each	1,000	2

During the period, the company issued 2 Ordinary shares of £1 each for cash at par.

10 Reserves

	£
<i>Profit and loss account</i>	
Retained loss for the period	(2,480)
At 31 December 1998	(2,480)

Springs and Falls Limited

Notes forming part of the financial statements for the 59 weeks ended 31 December 1998 (Continued)

11 Reconciliation of movements in shareholders' funds

	1998 £
Loss for the period	(2,480)
Shares issued during period	2
	<hr/>
Closing shareholders' funds	(2,478)
	<hr/>

12 Cash flow statement

The company has used the exemption under Financial Reporting Standard 1, "Cash Flow Statements", not to prepare a cash flow statement as the directors believe the company is a 'small entity' as defined under Section 247 of the Companies Act 1985.