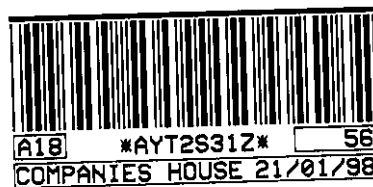


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SWAN HILL No 2 PENSION TRUST LIMITED

DIRECTORS' REPORT AND ACCOUNTS

5 APRIL 1997



SWAN HILL No 2 PENSION TRUST LIMITED
(Formerly Higgs & Hill No 2 Pension Trust Limited)
(Registered Number 2283378)

DIRECTORS' REPORT

The directors submit their annual report together with the audited accounts for the year ended 5 April 1997.

ACTIVITY

The company acts as corporate trustee of the Swan Hill No 2 Pension Scheme. (Formerly The Higgs & Hill No 2 Pension Scheme).

RESULTS AND DIVIDENDS

The company did not trade during the year.

The directors do not recommend the payment of a dividend (1995/96 -Nil).

DIRECTORS AND DIRECTORS' SHAREHOLDINGS

The directors who served the company during the year are as follows:

Sir Brian Hill	(Chairman)
CRH Archer	(appointed 7 February 1997)
NJ Beale	(appointed 7 February 1997)
DL Cleaver	(resigned 29 July 1996)
AG Confavreux	(resigned 13 January 1997)
E Lawrie	(appointed 29 July 1996 and resigned 13 January 1997)
AD Johnston	(resigned 29 July 1996)
A Taylor	(appointed 7 February 1997)
KG Tutill	(appointed 7 February 1997)

At 5 April 1997 no directors or members of their families, as defined by the Companies Act 1985, held any beneficial interests in shares or debentures of any member of the group other than the holding company, Swan Hill Group PLC. Subject to note (c) below, all holdings and options related to ordinary shares in Swan Hill Group PLC. The holdings of the directors are as follows:

	<u>As at 5 April 1996 (b)</u>		<u>As at 5 April 1997</u>	
	<u>Ordinary</u>	<u>Options (a)</u>	<u>Ordinary</u>	<u>Options (a)</u>
CRH Archer	1, 927	313,974	1,927	313,974
NJ Beale	4,268	22,656	4,268	22,656
Sir Brian Hill (c)	77,770	Nil	77,770	Nil
KG Tutill	Nil	4,425	Nil	4,425

SWAN HILL No 2 PENSION TRUST LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS AND DIRECTORS' SHAREHOLDINGS (CONTINUED)

- a) Options on shares held under the Swan Hill Group PLC Savings - Related Share Option Scheme adopted by Swan Hill Group PLC on 13 June 1983, under the Swan Hill 1993 Savings - Related Share Option Scheme adopted by Swan Hill Group PLC on 11 June 1993, under the Swan Hill Executive Share Option Scheme adopted by Swan Hill Group PLC on 14 June 1985, and under the Swan Hill Executive Share Option Scheme No 2 adopted by Swan Hill Group PLC on 5 April 1993 at prices between 58p and 336.17p per share, exercisable by 2004. The number and the price of shares under option have been adjusted to take into account the 1994 Rights Issue. Increases in options attributable to grants under the 1993 Savings - Related Share Scheme were at a price of 78.4p per Ordinary Share. Grants under the Restricted Share Scheme were at a price of 86.33p and 98.3p per Ordinary Share in respect of allotments made on 22 June 1995 and 15 April 1996 respectively.
- b) Or at date of appointment if later.
- c) Sir Brian Hill held 60 Preference Shares of £1 at 6 April 1996 and 5 April 1997.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profits or loss of the company for that period. In preparing those financial statements, the directors are required to :

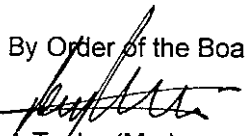
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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 financial statements comply with the Companies Acts 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

Pursuant to s386 of the Companies Act 1985, the company has elected to dispense with the obligation to appoint auditors annually.

By Order of the Board


A Taylor (Mrs)
Secretary

24 November 1997

Price Waterhouse



AUDITORS' REPORT TO THE MEMBERS OF SWAN HILL NO.2 PENSION TRUST LIMITED

We have audited the financial statements on pages 4 to 5 which have been prepared under the historical cost convention accounting policies set out on page 5.

Respective responsibilities of directors and auditors

As described on page 2 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 judgments 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 5 April 1997 and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Price Waterhouse
Chartered Accountants
and Registered Auditors

24 November 1997

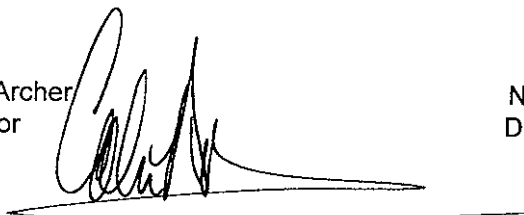
SWAN HILL No 2 PENSION TRUST LIMITED

BALANCE SHEET AS AT 5 APRIL 1997

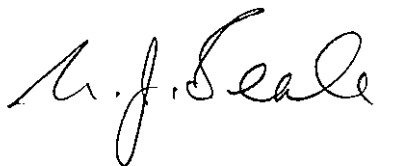
	<u>1997</u> £	<u>1996</u> £
CURRENT ASSETS		
Debtors (Note 2)	100	100
	=====	=====
Represented by:		
CAPITAL AND RESERVES		
Called up share capital (Note 3)	100	100
	=====	=====

APPROVED BY THE BOARD OF DIRECTORS AT A MEETING HELD ON 24 NOVEMBER 1997.

CRH Archer
Director



NJ Beale
Director



SWAN HILL No 2 PENSION TRUST LIMITED

NOTES TO THE ACCOUNTS - 5 APRIL 1997

1. ACCOUNTING POLICIES

Basis of accounting

The accounts have been prepared in accordance with applicable UK accounting standards using the historical cost basis of accounting.

Turnover

1. The company did not trade during the year.

2. DEBTORS

	<u>1997</u> £	<u>1996</u> £
Amounts due from holding company	100	100
	=====	=====

3. CALLED UP SHARE CAPITAL

	<u>Authorised</u>		<u>Issued and</u>	
	<u>1997</u>	<u>1996</u>	<u>fully paid</u>	
	£	£	<u>1997</u>	<u>1996</u>
			£	£
Ordinary shares of £1 each	100	100	100	100
	=====	=====	=====	=====

4. ULTIMATE HOLDING COMPANY

The company is a wholly owned subsidiary of Swan Hill Group PLC a company incorporated in England. The address from where copies of the group financial statements can be obtained is Swan Hill Group PLC, Cygnet Court, Portsmouth Road, Esher, Surrey KT10 9SG.