



DALROAD 1 PLC
(formerly CONNELL plc)
REPORT AND ACCOUNTS
31 December 1997

Company Registration Number : 1789333

DALROAD 1 PLC (formerly CONNELL PLC)

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1997.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company is that of an investment company. No change in this activity is anticipated. It is a wholly owned subsidiary of Scottish Widows' Fund and Life Assurance Society ('Scottish Widows'). The company's registered number is 1789333.

The accounts have been prepared on a going concern basis as the Directors have received confirmation from the parent company that it will continue to provide sufficient funds to enable the company to meet its liabilities as they fall due.

RESULTS AND DIVIDEND

The loss for the year and transfer to reserves are shown in the profit and loss account on page 4 and the notes thereto. The directors do not recommend payment of a dividend (1996 £Nil).

DIRECTORS

The following directors held office during the year:

A Burnet (Resigned 18 August 1997)

K Dawson (Resigned 16 September 1997)

T B Houston (Chairman)

E L Pearston (Appointed 16 September 1997)

AUDITORS

Price Waterhouse have expressed their willingness to continue in office as auditors and accordingly a resolution to propose their appointment will be submitted at the annual general meeting.

By Order of the Board



Legist Secretaries Limited
16 February 1998

DALROAD 1 PLC (formerly CONNELL PLC)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, 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 accounts;
- prepare the accounts 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 the accounts comply with the Companies Act 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.

Price Waterhouse



DALROAD 1 PLC (formerly CONNELL PLC)

REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF DALROAD 1 PLC

We have audited the accounts on pages 4 to 9 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND AUDITORS

As described on page 2 the Company's directors are responsible for the preparation of the 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 December 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Price Waterhouse
Chartered Accountants and Registered Auditors

16 February 1998

DALROAD 1 PLC (formerly CONNELL PLC)

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1997

	Notes	1997 £000	1996 £000
Staff costs	2 (2)	-	(209)
Other operating charges		(1,346)	(2,315)
OPERATING LOSS		(1,346)	(2,524)
Income from shares in subsidiary undertakings		-	4
Amounts written off attributable to subsidiary undertakings		-	(139)
		(1,346)	(2,659)
Other interest receivable and similar income		184	78
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(1,162)	(2,581)
Tax on loss on ordinary activities	4	97	-
LOSS FOR THE FINANCIAL YEAR	11	(1,065)	(2,581)

The loss for the financial year includes all recognised gains and losses in the year.
The operations of the company are continuing.

The notes on pages 6 to 9 are an integral part of these accounts.

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BALANCE SHEET - 31 DECEMBER 1997

	Notes	1997 £000	1996 £000
CURRENT ASSETS			
Debtors	5	2,181	2,296
Cash at bank and in hand		2,301	3,299
		4,482	5,595
CREDITORS: amounts falling due within one year			
Accrued expenses	6	-	(51)
NET CURRENT ASSETS		4,482	5,544
TOTAL ASSETS LESS CURRENT LIABILITIES		4,482	5,544
CREDITORS: amounts falling due after one year			
Amounts owed to parent undertaking	7	(24,044)	(24,044)
PROVISIONS FOR LIABILITIES AND CHARGES	8	(1,626)	(1,623)
		(21,188)	(20,123)
CAPITAL AND RESERVES			
Called up share capital	9	1,245	1,245
Share premium account	10	10,990	10,990
Profit and loss account deficit	11	(33,423)	(32,358)
Deficit on shareholders' funds	12	(21,188)	(20,123)

Approved by the Board on Monday 16 February 1998.



T B Houston
Chairman

The notes on pages 6 to 9 are an integral part of these accounts

DALROAD 1 PLC (formerly CONNELL PLC)

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997

1 ACCOUNTING POLICIES

- (1) The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

- (2) Deferred taxation

Deferred taxation is provided for only to the extent that it is probable that a future asset or liability will crystallise.

- (3) Cash flow statement

A cash flow statement has not been provided as the company has taken advantage of the exemption contained in Financial Reporting Standard No 1 (Revised) "Cash Flow Statements" as consolidated accounts, in which the company is included, are available (see Note 13).

2 DIRECTORS AND EMPLOYEES

- (1) The emoluments of directors of the company including pension contributions were:

	1997	1996
	£000	£000
Fee for service as a director	-	171
	<u>-</u>	<u>171</u>

- (2) Employees

The total costs incurred in respect of employees were:

	1997	1996
	£000	£000
Wages and salaries	-	188
Social Security costs	-	11
Other pension costs	-	10
	<u>-</u>	<u>209</u>

The company has had no employees other than directors since 21 October 1996. The directors have received no remuneration for services to the company since their appointment.

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NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (Continued)

3	LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	1997 £000	1996 £000
	This is stated after charging the following:		
	Auditors' remuneration - audit services	1	4
	- non audit services	27	161
4	TAX ON LOSS ON ORDINARY ACTIVITIES	1997 £000	1996 £000
	Based on the (loss) for the year:		
	Group relief at 33%	(97)	-
		(97)	-
5	DEBTORS	1997 £000	1996 £000
	Amounts recoverable for losses surrendered under group relief provisions	1,728	835
	Sundry Debtors	151	1,461
	Accrued Income	157	-
	Prepayments	145	-
		2,181	2,296
6	CREDITORS: Amounts falling due within one year	1997 £000	1996 £000
	Accrued expenses	-	51
		-	51

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7 CREDITORS: Amounts falling due after one year

	1997 £000	1996 £000
Amounts owed to parent undertaking	24,044	24,044
Analysed as:		
At 1 January 1997	24,044	17,294
Advances	-	6,750
At 31 December 1997	24,044	24,044

The parent undertaking advanced £12,000,000 under a five year loan agreement dated 31 May 1991, at a rate of 12% per annum. Advances made in excess of this amount bear interest at 1% above bank base rate. The parent undertaking has waived the interest on the loan for the current year.

8 PROVISIONS FOR LIABILITIES AND CHARGES

	Provision for Insurance Excesses 1997 £000
At 1 January 1997	1,623
Charge for the year	525
Utilised during the year	(522)
At 31 December 1997	1,626

9 CALLED UP SHARE CAPITAL

	1997 £000	1996 £000
Authorised 33,190,000 5p Ordinary shares	1,660	1,660
Allotted, called up and fully paid 24,898,758 5p Ordinary shares	1,245	1,245

10 SHARE PREMIUM ACCOUNT

	1997 £000	1996 £000
At 1 January and 31 December	10,990	10,990

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11 RESERVES

	1997	1996
	£000	£000
At 1 January	(32,358)	(29,777)
Loss for the financial year	(1,065)	(2,581)
At 31 December	<u>(33,423)</u>	<u>(32,358)</u>

12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997	1996
	£000	£000
Opening shareholders' funds	(20,123)	(17,542)
Loss for the financial year	(1,065)	(2,581)
Closing shareholders' funds	<u>(21,188)</u>	<u>(20,123)</u>

13 PARENT COMPANY

The Company is a wholly owned subsidiary of Scottish Widows' Fund and Life Assurance Society which is registered in Scotland by Act of Parliament. Group Accounts may be obtained from the Group Secretary at 69 Morrison Street, Edinburgh EH3 8YF.

Transactions with other companies within the group are not disclosed as the company has taken advantage of the exemption available under Financial Reporting Standard No8 "Related Party Disclosures", as the consolidated accounts of Scottish Widows' Fund and Life Assurance Society, in which the company is included, are available at the address noted above.