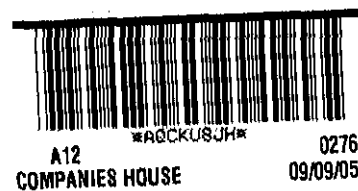


Scarcroft Investments Limited

Directors' report and financial statements
for the year ended 31 December 2004

Registered number: 2798178



Scarcroft Investments Limited

Directors' report and financial statements for the year ended 31 December 2004

	Page
Directors' report for the year ended 31 December 2004.....	1
<i>Independent auditors' report to the members of Scarcroft Investments Limited</i>	3
Balance sheet as at 31 December 2004	4
Notes to the financial statements for the year ended 31 December 2004	5

Scarcroft Investments Limited

Directors' report for the year ended 31 December 2004

The Directors present their report and audited financial statements for the year ended 31 December 2004.

Principal activity and review of the business

The principal activity of the Company is as a holding company. It is intended that the Company will continue as a holding company.

Results and dividends

The Directors do not recommend the payment of a final dividend (2003: £nil).

Directors and directors' interests

The Directors who held office during the year are given below:

Mr A Smith
Mr A Duff

According to the register required to be kept under section 325 of the Companies Act 1985 none of the Directors of the Company at 31 December 2004 held any interest in the share options or debentures of group companies incorporated in the United Kingdom. As permitted by statutory instrument, the register does not include shareholdings of Directors in companies incorporated outside Great Britain.

During the year no (2003: no) directors exercised share options in RWE npower Holdings plc.

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 profit or loss for that year. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to assume that the Company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently, as explained under note 1, "Accounting policies". They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2004 and that applicable accounting standards 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 financial statements 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.

Going Concern

The directors of RWE Npower plc, the immediate parent company, have indicated their willingness to continue to provide financial support to the company for the foreseeable future, being at least one year from the date of approval of these financial statements, sufficient for the company to meet its obligations as they fall due. As a result, the directors have prepared the financial statements on a going concern basis.

Scarcroft Investments Limited

Directors' report for the year ended 31 December 2004 (continued)

Auditors

Pursuant to Section 386 of the Companies Act 1985, the Company has dispensed with the obligation to appoint auditors annually.

Pursuant to Section 366A of the Companies Act 1985 the Company has dispensed with the obligation to hold an annual general meeting and pursuant to Section 379A the Company has dispensed with the requirement to lay accounts before a general meeting.

Approved by the Board of Directors and signed on behalf of the Board.

Alan Smith

Director
8 August 2005

A handwritten signature in black ink, appearing to be 'A. Smith', written over a horizontal line.

Independent auditors' report to the members of Scarcroft Investments Limited

We have audited the financial statements which comprise the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors' report.

Basis of audit 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 judgements 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 at 31 December 2004 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham
8 August 2005

Scarcroft Investments Limited

Balance sheet as at 31 December 2004

	Note	2004 £'000	2003 £'000
Fixed assets			
Investments	3	-	-
Current assets			
Debtors: due within one year	4	52,298	52,298
Creditors: amounts falling due within one year	5	(76,216)	(76,216)
Net current liabilities		(23,918)	(23,918)
Total assets less current liabilities		(23,918)	(23,918)
Capital and reserves			
Called up equity share capital	6	-	-
Profit and loss account	7	(23,918)	(23,918)
Total equity shareholders' deficit	7	(23,918)	(23,918)

These financial statements on pages 4 to 7 were approved by the Board of Directors on 8 August 2005

Signed on behalf of the board of directors.


Alan Smith

Director

Scarcroft Investments Limited

Notes to the financial statements for the year ended 31 December 2004

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the current year and the preceding period, is set out below:

Basis of preparation

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

Under FRS 1 (Revised) the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

The financial statements have been prepared on a going concern basis which assumes that the Company will continue to trade. The basis of this assumption depends on the support of the intermediate parent company, RWE npower plc. The intermediate parent company has indicated that it intends to provide funds as are necessary for the Company to trade for the foreseeable future.

As the Company was a wholly owned subsidiary, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of RWE AG, within which this Company is included, can be obtained from the address given in note 8.

Group accounts

The Company is exempt under Section 228 of the Companies Act 1985 from the requirement to prepare group financial statements and to deliver them to the Registrar of Companies. The financial statements therefore present information about the Company as an individual undertaking and not about its group. The Company is included within the consolidated financial statements of RWE AG, the Company's ultimate parent undertaking, which is incorporated in Germany.

Investments

Fixed asset investments are stated at cost or valuation less provision for impairment in value.

2 Trading, directors and employees

The company has not traded during either the current or preceding financial year and has secured no income and incurred no expenditure. Consequently, during the current or preceding year the company has made neither a profit nor a loss.

The Directors of Scarcroft Investments Limited received no remuneration from the Company. The Directors were remunerated for their services to the group as a whole, including Scarcroft Investments Limited, by other group companies but as the Company has not traded during the year no emoluments are attributable.

All directors' were members of defined benefit pension schemes in the current and prior financial years. No directors' were members of defined contribution pension schemes.

There are no employees other than Directors (2003: Nil).

Scarcroft Investments Limited

Notes to the financial statements for the year ended 31 December 2004 (continued)

3 Fixed asset investments

Principal subsidiary

	Class of capital	% Equity held	Principal activities
Yorkshire Energy Limited	Ordinary	100	Gas investment and supply

The Company holds 102 (2003: 102) ordinary shares of £1 in Yorkshire Energy Limited. The Company also holds 117,857 "A" ordinary shares of £1.20 in, and a loan of £858,000 to Royal Armouries (International) plc, both of which have been fully provided for.

4 Debtors

	2004	2003
	£'000	£'000
Amounts owed by group undertaking:		
Due within one year (interest free in the current year and no fixed date of repayment)	52,298	52,298

5 Creditors

	2004	2003
	£'000	£'000
Amounts owed to group undertaking:		
Due within one year (interest free in the current year and no fixed date of repayment)	76,216	76,216

6 Called up share capital

	2004	2003
	£	£
Authorised		
100 ordinary shares of £1 each	100	100
Allotted and fully paid		
2 ordinary shares of £1 each	2	2

Scarcroft Investments Limited

Notes to the financial statements for the year ended 31 December 2004 (continued)

7 Reconciliation of reserves and movement in equity shareholders' deficit

	2004	2003
	£'000	£'000
Opening equity shareholders' deficit	(23,918)	(23,918)
Profit for the year	-	-
Closing equity shareholders' deficit	(23,918)	(23,918)

8 Parent company

The Company's ultimate parent company is RWE AG, a company incorporated in Germany. Copies of the group financial statements are available from RWE AG, Opernplatz 1, D-45128, Essen, Germany.

The Company's immediate parent undertaking is Npower Yorkshire Limited, a company incorporated in Great Britain.