

Company Number: 2798178

**SCARCROFT INVESTMENTS LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED**  
**30 SEPTEMBER 1996**



## **SCARCROFT INVESTMENTS LIMITED**

### **DIRECTORS' REPORT**

The Directors present their report and the audited financial statements for the six month period ended 30 September 1996.

#### **Principal activity and review of the year**

The principal activity of the Company is as a Holding Company for UK investments.

During the year the Company changed its accounting reference date from 31 March to 30 September.

#### **Results and dividends**

The results for the Company are set out in detail on page 5.

The Directors do not recommend the payment of a final dividend.

#### **Directors and Directors' interests**

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

Mr J M Chatwin (appointed 12 August 1996)

Mr A W J Coleman

Mr R Dickinson

Messrs P A Brown and I Wadsworth were both appointed as Directors of the Company on 7 October 1996 and resigned on 14 October 1996.

The Directors hold no beneficial interest in the ordinary share capital of the Company. The interests of the Mr R Dickinson as at 31 March 1996 and 30 September 1996 in the 68 <sup>2</sup>/<sub>11</sub> p ordinary shares of Yorkshire Electricity Group plc, the ultimate parent company, were as follows:-

		Ordinary Shares	Executive Option Scheme	Sharesave Scheme (under option)
Mr R Dickinson	31/03/96	14,620*	51,138	629
	30/09/96	11,253*	2,757	629

\* Includes accrued rights in shares under the Yorkshire Electricity Group plc Executive Long Term Share Incentive Scheme.

## **SCARCROFT INVESTMENTS LIMITED**

### **DIRECTORS' REPORT (continued)**

Options to purchase fully paid ordinary shares were granted under the Yorkshire Electricity Group Sharesave Scheme on 16 February 1996 at £5.48 per share and on 7 January 1997 at £5.97 per share, both options exercisable after five years. Options to purchase fully paid shares were also granted under the Executive Share Option Scheme on various dates and at prices ranging between £2.87 and £7.82 per share exercisable after periods of between three and ten years.

The interests of Messrs Chatwin and Coleman in the ordinary share capital of Yorkshire Electricity Group plc, the ultimate parent company, are disclosed in the financial statements of Yorkshire Electricity Group plc.

#### **Post balance sheet events**

On 9 October 1996 the Company sold its interest in Torch Communications Limited, a joint venture with Kingston Communications of Hull. The 50% stake was sold to Kingston Communications for £26m, giving rise to an accounting profit of £14m. The estimated tax liability is £1.7m.

On 24 February 1997 the boards of American Electric Power ("AEP") and Public Service Company of Colorado ("PS Colorado") announced the terms of a cash offer for Yorkshire Electricity Group plc, the ultimate parent Company, to be made by Merrill Lynch on behalf of Yorkshire Holdings plc, a company owned equally by AEP and PS Colorado. The Offer, which was recommended for acceptance by the Yorkshire Electricity Group Board, valued each Yorkshire Electricity Group share at 927p in cash and valued Yorkshire Electricity at approximately £1.5 billion.

The Offer was declared wholly unconditional on 1 April 1997. On 16 April 1997 notices were issued by Yorkshire Holdings plc in accordance with Section 429 of the Companies Act 1985 to acquire all those Yorkshire Electricity shares still outstanding at the end of the requisite notice period.

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The following statement, which should be read in conjunction with the auditors' statement of respective responsibilities of Directors and auditors, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the auditors in relation to the financial statements.

The Directors are required by the Companies Act 1985 to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss of the Company for the financial period.

## SCARCROFT INVESTMENTS LIMITED

### STATEMENT OF DIRECTORS' RESPONSIBILITIES (continued)

The Directors consider that in preparing the financial statements on pages 5 to 13 on a going concern basis, 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 have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The Directors have 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.

#### Auditors

A resolution to reappoint Deloitte & Touche as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

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

*S. M. D. Christie*  
29/07/97

Mrs S M D Christie  
Company Secretary

Wetherby Road  
Scarcroft  
LEEDS  
LS14 3HS

## SCARCROFT INVESTMENTS LIMITED

### **AUDITORS' REPORT TO THE MEMBERS**

We have audited the financial statements on pages 5 to 13 which have been prepared under the accounting policies set out in page 7.

#### **Respective responsibilities of Directors and auditors**

As described on pages 2 and 3 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 judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company, 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 30 September 1996 and of its profit for the six month period then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche  
Chartered Accountants and Registered Auditors  
LEEDS  
LS1 2AJ

31 JULY 1997

**SCARCROFT INVESTMENTS LIMITED****Profit and Loss Account for the 6 month period ended 30 September 1996**

	<b>Note</b>	<b>Period Ended 30 Sept 1996 £000</b>	<b>Year Ended 31 March 1996 £000</b>
Provision for diminution of investments	6(c)	(142)	-
Interest receivable and similar income	2	2,450	21,052
Interest payable and similar charges	3	(2,288)	(6,091)
<b>Profit on ordinary activities before tax</b>		<u>20</u>	<u>14,961</u>
Taxation	5	-	-
<b>Profit for the financial period</b>		<u>20</u>	<u>14,961</u>
<b>Reserves brought forward</b>		(9,767)	(24,728)
<b>Reserves carried forward</b>		<u>(9,747)</u>	<u>(9,767)</u>

The results for both periods are in respect of continuing operations.

There were no recognised gains or losses other than profit for the periods as disclosed above.

There is no difference between the results presented above and the results on an unmodified historical cost basis; therefore, a note of historical profits is not required.

# SCARCROFT INVESTMENTS LIMITED

## Balance Sheet

	Note	30 Sept 1996 £000	31 March 1996 £000
<b>Fixed assets</b>			
Investments	6	18,719	15,038
<b>Current assets</b>			
Debtors (due within one year)	7	49,601	42,768
Debtors (due after more than one year)	7	30,000	30,000
		<u>79,601</u>	<u>72,768</u>
<b>Creditors (amounts falling due within one year)</b>		(78,067)	(67,573)
	8		
<b>Net current assets</b>		<u>1,534</u>	<u>5,195</u>
<b>Total assets less current liabilities</b>		<u>20,253</u>	<u>20,233</u>
<b>Creditors (amounts falling due in more than one year)</b>	8	(30,000)	(30,000)
<b>Net liabilities</b>		<u>(9,747)</u>	<u>(9,767)</u>
<b>Capital and reserves</b>			
Share capital	10	0	0
Profit and loss account	11	(9,747)	(9,767)
<b>Equity shareholders' funds</b>		<u>(9,747)</u>	<u>(9,767)</u>

These financial statements on pages 5 to 13 were approved by the Board of Directors on 29 July 1997 and signed on its behalf by:

Director:



## **SCARCROFT INVESTMENTS LIMITED**

### **Notes to the Accounts**

#### **1. Accounting policies**

##### **Basis of preparation**

The accounts have been prepared in accordance with applicable accounting standards, under the historical cost convention.

##### **Investments**

Fixed asset investments are stated at cost or valuation.

##### **Capital instruments**

Capital instruments are initially carried at the amount of net proceeds. The finance costs are allocated to the profit and loss account over the life of the debt at a constant rate on the carrying amount.

##### **Deferred taxation**

Deferred taxation arises in respect of items where there is a timing difference between their treatment for accounting purposes and their treatment for taxation purposes. Provision for deferred taxation, using the liability method, is made to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

##### **Reporting the substance of transactions**

In accordance with Financial Reporting Standard No. 5, transactions entered into by the Group are recorded in the financial statements taking into account their full commercial substance.

#### **2. Other interest receivable and similar income**

	<b>Period Ended 30 Sept 1996 £000</b>	<b>Year Ended 31 March 1996 £000</b>
Interest received from parent undertaking	1,055	1,362
Interest received from subsidiary undertakings	1,395	634
Interest received from undertakings in which the company has a participating interest	-	1,096
Release of provision against investment	-	17,960
	<u>2,450</u>	<u>21,052</u>



## SCARCROFT INVESTMENTS LIMITED

### Notes to the Accounts (continued)

#### 3. Interest payable and similar charges

	Period Ended 30 Sept 1996 £000	Year Ended 31 March 1996 £000
On other loans	1,055	1,362
Interest payable to parent undertaking	1,233	4,729
	<u>2,288</u>	<u>6,091</u>

#### 4. Directors and employees

The Directors received no emoluments. There are no employees other than Directors.

#### 5. Taxation

	Period Ended 30 Sept 1996 £000	Year Ended 31 March 1996 £000
Corporation tax on profit for the period at 33%	<u>-</u>	<u>-</u>

No corporation tax arises due to the availability of tax losses.

#### 6. Fixed asset investments

	30 Sept 1996 £000	31 March 1996 £000
Subsidiary undertakings	0	0
Associated undertakings	18,719	14,896
Other investments	-	142
	<u>18,719</u>	<u>15,038</u>

## **SCARCROFT INVESTMENTS LIMITED**

### **Notes to the Accounts (continued)**

#### **6. Fixed asset investments (continued)**

##### **a) Associated undertakings**

	<b>Shares at cost £000</b>	<b>Loans £000</b>	<b>Total £000</b>
At 1 April 1996	500	14,396	14,896
Additions	-	3,823	3,823
At 30 September 1996	<u>500</u>	<u>18,219</u>	<u>18,719</u>

#### **Loans:**

Torch Communications Limited has issued several 1/4% deep discounted loan notes, all at an issue price of £1,000,000:

<b>Date issued</b>	<b>Repayment date</b>	<b>Repayment price £</b>
15 February 1994	11 January 1999	1,458,228
23 June 1994	11 January 1999	1,574,499
28 July 1994	11 January 1999	1,526,726
25 August 1994	11 January 1999	1,545,580
8 December 1994	11 January 1999	1,502,692
31 January 1995	11 January 1999	1,490,044
3 March 1995	11 January 1999	1,472,654
27 March 1995	11 January 1999	1,455,250
1 May 1995	11 January 1999	1,432,672
1 August 1995	11 January 1999	1,376,890
20 December 1995	11 January 1999	1,286,373
31 January 1996	11 January 1999	1,275,266
22 March 1996	11 January 1999	1,281,462
30 April 1996	11 January 1999	1,265,619
26 July 1996	11 January 1999	1,233,383
30 August 1996	11 January 1999	1,217,970

##### **b) Principal subsidiary and associated undertakings**

	<b>Class of capital</b>	<b>% Equity held</b>	<b>Principal Activities</b>
Yorkshire Energy Ltd	Ordinary	100	Gas investment and supply
Torch Communications Ltd	Ordinary	50	Development

The Company held 500,000 Class "A" Ordinary shares of £1 each in Torch Communications Ltd, a company registered in England and Wales. This is a joint venture with Kingston Communications (Hull) Ltd.

## SCARCROFT INVESTMENTS LIMITED

### Notes to the Accounts (continued)

#### 6. Fixed asset investments (continued)

##### c) Other investments

	£000
<b>Shares at cost</b>	
At 1 April 1996 and 30 September 1996	<u>142</u>
<b>Provision</b>	
At 1 April 1996	-
Provided in the year	<u>142</u>
At 30 September 1996	<u>142</u>
<b>Net book value</b>	
30 September 1996	<u>-</u>
1 April 1996	<u>142</u>

The Company holds 117,857 "A" ordinary shares of £1.20 in Royal Armouries (International) plc, which have been fully provided for in the period.

#### 7. Debtors

	30 Sept 1996 £000	31 March 1996 £000
Amounts owed by parent undertaking:		
Due within one year	3,202	2,147
Due after more than one year	30,000	30,000
Amounts owed by subsidiary undertakings	45,609	40,551
Amounts owed by undertakings in which the company has a participating interest	790	70
	<u>79,601</u>	<u>72,768</u>

## SCARCROFT INVESTMENTS LIMITED

### Notes to the Accounts (continued)

#### 8. Creditors

	30 Sept 1996 £000	31 March 1996 £000
Creditors (amounts falling due within one year):		
Accruals	1,804	749
Amounts owed to parent undertaking	76,263	66,824
	<u>78,067</u>	<u>67,573</u>
Creditors (amounts falling after more than one year):		
Bank loans	<u>30,000</u>	<u>30,000</u>

The bank loan was drawn down in two tranches, both £15m, and interest rate is payable at a fixed rate of 6.55% and 7.52% respectively. Yorkshire Electricity Group plc unconditionally guarantees the due performance of the financial obligations under the contract.

#### 9. Borrowings

Bank loans outstanding:

	30 Sept 1996 £000	31 March 1996 £000
Within one year, on demand	-	-
Between one and two years	2,250	2,250
Between two and five years	20,250	20,250
Over five years	7,500	7,500
	<u>30,000</u>	<u>30,000</u>

#### 10. Called up share capital

	30 Sept 1996 £	31 March 1996 £
Authorised: 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted and fully paid: 2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

## **SCARCROFT INVESTMENTS LIMITED**

### **Notes to the Accounts (continued)**

#### **11. Reconciliation of movement in equity shareholders' funds**

	<b>Period Ended 30 Sept 1996 £000</b>	<b>Year Ended 31 March 1996 £000</b>
Opening equity shareholders' funds	(9,767)	(24,728)
Profit for the year	20	14,961
Closing equity shareholders' funds	<u>(9,747)</u>	<u>(9,767)</u>

#### **12. Related party transactions**

The company has taken advantage of the exemptions included in Financial Reporting Standard No. 8 "Related Party Disclosures" for wholly owned subsidiaries not to disclose transactions which are with entities that are part of the Yorkshire Power Group.

#### **13. Group accounts**

The Company has taken advantage of the exemption from the requirement to present group accounts confirmed in section 228 of the Companies Act 1985 on the grounds that it is a wholly owned subsidiary of Yorkshire Electricity Group plc, a company registered in England and Wales.

#### **14. Financial commitments**

A loan is to be provided to the Royal Armouries (International) plc for £858,333, which was drawn down in March 1997.

#### **15. Ultimate parent company**

The ultimate holding and controlling company at 30 September 1996 was Yorkshire Electricity Group plc, a company registered in England and Wales. Copies of the group financial statements will be available from Companies House, Crown Way, Maindy, Cardiff CF4 3UZ.

## **SCARCROFT INVESTMENTS LIMITED**

### **Notes to the Accounts (continued)**

#### **16. Post balance sheet event**

On 9 October 1996 the Company sold its shares in Torch Communications Ltd, a joint venture with Kingston Communications of Hull. The 50% stake was sold to Kingston Communications for £26m, giving rise to an accounting profit of £14m. The estimated tax liability is £1.7m.

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The Offer was declared wholly unconditional on 1 April 1997. On 16 April 1997 notices were issued by Yorkshire Holdings plc in accordance with Section 429 of the Companies Act 1985 to acquire all those Yorkshire Electricity shares still outstanding at the end of the requisite notice period.