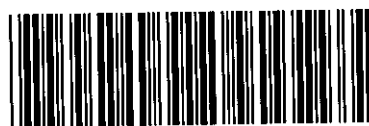


Scarcroft Investments Limited
Directors' report and financial statements
for the year ended 31 December 2005

Registered number: 2798178

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Scarcroft Investments Limited

Directors' report and financial statements for the year ended 31 December 2005

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Scarcroft Investments Limited

Directors' report for the year ended 31 December 2005

The Directors present their report and audited financial statements for the year ended 31 December 2005.

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 (2004: £nil).

Directors and directors' interests

The Directors who held office during the year and to the date of this report are given below:

Mr A Smith (resigned 12 August 2005)
Mr A Duff
Mr J Keene (appointed 12 August 2005)

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 2005 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 (2004: 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, with the exception of the changes arising on the adoption of new accounting standards in the year, as set out in 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 2005 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 2005 (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.



Jason Keene

Director
29 November 2006

Scarcroft Investments Limited

Independent auditors' report to the members of Scarcroft Investments Limited

We have audited the financial statements of Scarcroft Investments Limited for the year ended 31st December 2005 which comprise the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 into 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

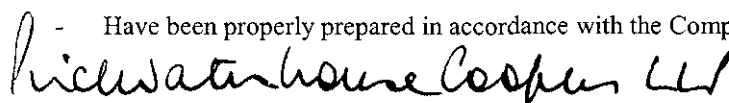
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31st December 2005 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
29 November 2006

Scarcroft Investments Limited

Balance sheet as at 31 December 2005

	Note	2005 £'000	2004 £'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 8 were approved by the Board of Directors on 29 November 2006.

Signed on behalf of the board of directors.



Jason Keene
Director

Scarcroft Investments Limited

Notes to the financial statements for the year ended 31 December 2005

1 Accounting policies

A summary of the principal accounting policies is set out below, all of which have been applied consistently throughout the current year and the preceding period, with the exception of the adoption of new accounting standards, the impact of which are outlined 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.

Changes in accounting policies

The company has adopted FRS 21, 'Events after the balance sheet date', FRS 25, 'Financial instruments: disclosure and presentation', FRS 17, 'Retirement benefits' and FRS 28 'Corresponding amounts' in these financial statements. The adoption of these standards represents a change in accounting policy. There was no impact on the financial statements arising from the changes in accounting policies to adopt FRS 21, FRS 25 and FRS 28. The adoption of FRS 17 has not had any impact upon the current or prior year financial statements.

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.

Scarcroft Investments Limited

Notes to the financial statements for the year ended 31 December 2005 (continued)

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 (2004: Nil).

During the year no (2004: no) directors exercised share options in RWE Npower Holdings plc.

Scarcroft Investments Limited

Notes to the financial statements for the year ended 31 December 2005 (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 (2004: 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, all of which have been fully provided for.

4 Debtors

	2005	2004
	£'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

	2005	2004
	£'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

	2005	2004
	£	£
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 2005 (continued)

7 Reconciliation of reserves and movement in equity shareholders' deficit

	2005	2004
	£'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, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. 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.