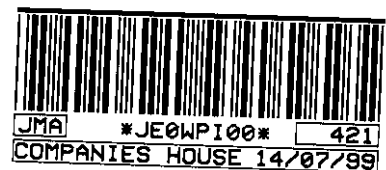


Company Number: 2798178

SCARCROFT INVESTMENTS LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 SEPTEMBER 1998



SCARCROFT INVESTMENTS LIMITED

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 30 September 1998.

Principal Activity and Review of the Year

The principal activity of the Company is as a holding company.

Future Prospects

It is intended that the Company will continue as a holding company.

Results and Dividends

The results for the Company are set out in detail on page 4.

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 R Dickinson
Mr A G Donnelly (appointed 15/12/97)
Mr J M Chatwin (resigned 31/12/97)
Mr A W J Coleman (resigned 31/12/97)

None of the Directors hold a beneficial interest in the share capital of the Company. As at 30 September 1997 and 30 September 1998 Mr Dickinson held a non-beneficial interest in one 68 ²/₁₁ p ordinary share in Yorkshire Electricity Group plc.

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.

The Directors consider that in preparing the financial statements on pages 4 to 11 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
23/06/99

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 4 to 11 which have been prepared under the accounting policies set out in page 6.

Respective responsibilities of Directors and auditors

As described on page 1 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 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



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

14 July 1999

SCARCROFT INVESTMENTS LIMITED

Profit and Loss Account for the year ended 30 September 1998

	Note	Year Ended 30 Sept 1998 £000	Year Ended 30 Sept 1997 £000
Provision for diminution of investments	6c	-	(858)
Profit on sale of associated undertaking	6a	-	5,232
Interest receivable and similar income	2	4,500	3,719
Interest payable and similar charges	3	(6,430)	(4,102)
(Loss) / profit on ordinary activities before tax		<u>(1,930)</u>	<u>3,991</u>
Taxation	5	-	-
(Loss) / profit for the financial period		<u>(1,930)</u>	<u>3,991</u>
Reserves brought forward		(5,756)	(9,747)
Reserves carried forward		<u><u>(7,686)</u></u>	<u><u>(5,756)</u></u>

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

There were no recognised gains or losses other than the (loss) / 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 1998 £000	30 Sept 1997 £000
Fixed assets			
Investments	6	0	0
Current assets			
Debtors (due within one year)	7	107,241	68,839
Debtors (due after more than one year)	7	<u>24,750</u>	<u>27,750</u>
		131,991	96,589
Creditors (amounts falling due within one year)	8	(114,927)	(74,595)
Net current assets		<u>17,064</u>	<u>21,994</u>
Total assets less current liabilities		<u>17,064</u>	<u>21,994</u>
Creditors (amounts falling due in more than one year)	8	(24,750)	(27,750)
Net liabilities		<u>(7,686)</u>	<u>(5,756)</u>
Capital and reserves			
Share capital	10	0	0
Profit and loss account	11	(7,686)	(5,756)
Equity shareholders' funds		<u>(7,686)</u>	<u>(5,756)</u>

These financial statements on pages 4 to 11 were approved by the Board of Directors on 23 JUNE 1999 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.

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.

2. Interest receivable and similar income

	Year Ended 30 Sept 1998 £000	Year Ended 30 Sept 1997 £000
Interest received from parent undertaking	1,982	2,107
Interest received from subsidiary undertakings	2,518	1,612
	<u>4,500</u>	<u>3,719</u>

SCARCROFT INVESTMENTS LIMITED

Notes to the Accounts (continued)

3. Interest payable and similar charges

	Year Ended 30 Sept 1998 £000	Year Ended 30 Sept 1997 £000
On other loans	1,981	2,107
Interest payable to parent undertaking	4,449	1,995
	<u>6,430</u>	<u>4,102</u>

4. Directors and employees

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

5. Taxation

	Year Ended 30 Sept 1998 £000	Year Ended 30 Sept 1997 £000
Corporation tax on profit for the period at 31%	<u>-</u>	<u>-</u>

No corporation tax arises due to the availability of tax losses, which are surrendered to other group companies for no payment.

6. Fixed asset investments

	30 Sept 1998 £000	30 Sept 1997 £000
Subsidiary undertakings	<u>0</u>	<u>0</u>
	<u>0</u>	<u>0</u>

SCARCROFT INVESTMENTS LIMITED

Notes to the Accounts (continued)

6. Fixed asset investments (continued)

a) Associated undertakings

On 9 October 1996 the Company sold its share in the joint venture, Torch Telecom, for £24.7m (net of costs and including a loan repayment of £0.8m), giving rise to profit on sale of £5.2m before tax.

b) Principal subsidiary

	Class of capital	% Equity held	Principal Activities
Yorkshire Energy Ltd	Ordinary	100	Gas investment and supply

c) Other investments

	Shares at cost £000	Loans £000
At 1 October 1997	142	858
Loan made during the year	-	-
At 30 September 1998	<u>142</u>	<u>858</u>
Provisions		
At 1 October 1997	142	858
Provided in the year	-	-
At 30 September 1998	<u>142</u>	<u>858</u>
Net book value		
30 September 1998	<u>-</u>	<u>-</u>
1 October 1997	<u>-</u>	<u>-</u>

The Company 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.

SCARCROFT INVESTMENTS LIMITED

Notes to the Accounts (continued)

7. Debtors

	30 Sept 1998	30 Sept 1997
	£000	£000
Amounts owed by parent undertaking:		
Due within one year	11,225	6,244
Due after more than one year	24,750	27,750
Amounts owed by subsidiary undertakings	96,016	62,595
	<u>131,991</u>	<u>96,589</u>

8. Creditors

	30 Sept 1998	30 Sept 1997
	£000	£000
Creditors (amounts falling due within one year):		
Bank Loan	3,000	2,250
Accruals	1,719	1,848
Amounts owed to parent undertaking	110,208	70,497
	<u>114,927</u>	<u>74,595</u>
Creditors (amounts falling after more than one year):		
Bank Loan	24,750	27,750
	<u>24,750</u>	<u>27,750</u>

Yorkshire Electricity Group plc unconditionally guarantees the due performance of the bank loan under the contract.

SCARCROFT INVESTMENTS LIMITED

Notes to the Accounts (continued)

9. Borrowings

Bank loans outstanding:

	30 Sept 1998	30 Sept 1997
	£000	£000
Within one year, on demand	3,000	2,250
Between one and two years	8,250	3,000
Between two and five years	16,500	21,000
Over five years	-	3,750
	<u>27,750</u>	<u>30,000</u>

10. Called up share capital

	30 Sept 1998	30 Sept 1997
	£000	£000
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>

11. Reconciliation of movement in equity shareholders' funds

	Year	Year
	Ended	Ended
	30 Sept 1998	30 Sept 1997
	£000	£000
Opening equity shareholders' funds	(5,756)	(9,747)
(Loss) / profit for the year	(1,930)	3,991
Closing equity shareholders' funds	<u>(7,686)</u>	<u>(5,756)</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 Ltd.

SCARCROFT INVESTMENTS LIMITED

Notes to the Accounts (continued)

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. Ultimate parent company

The parent company for whom group accounts are prepared is Yorkshire Power Group Ltd, a company registered in England and Wales. Copies of the group financial statements are available from Companies House, Crown Way, Maindy, Cardiff CF4 3UZ.