

Company Number: 2798178

**SCARCROFT INVESTMENTS LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**30 SEPTEMBER 1997**



## **SCARCROFT INVESTMENTS LIMITED**

### **DIRECTORS' REPORT**

The Directors present their report and the audited financial statements for the year ended 30 September 1997.

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

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

#### **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 year were as follows:-

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

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 Mr R Dickinson as at 30 September 1996 and 30 September 1997 in the 68 <sup>2</sup>/<sub>11</sub> p ordinary shares of Yorkshire Electricity Group plc, the parent company, were as follows:-

		Ordinary Shares	Executive Option Scheme	Sharesave Scheme (under option)
Mr R Dickinson	30/09/96	11,253 *	2,757	629
	30/09/97	1 **	-	-

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

\*\* Non beneficial interest only.

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

## **SCARCROFT INVESTMENTS LIMITED**

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

the Executive Share Option Scheme on various dates and at prices ranging between £4.78 and £7.82 per share exercisable after periods of between three and ten years. However as a result of the takeover of Yorkshire Electricity Group plc on 1 April 1997 the above directors agreed to the cancellation of their share options for consideration equal to the excess of the offer price of £9.27 over the exercise price of the options.

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

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.

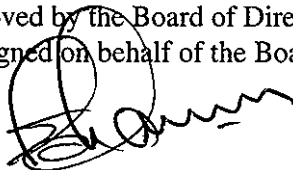
The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

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



Ms S M Johansson  
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 2 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 1997 and of its profit 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

30 July 1998

## **SCARCROFT INVESTMENTS LIMITED**

### **Profit and Loss Account for the year ended 30 September 1997**

	<b>Note</b>	<b>Year Ended 30 Sept 1997 £000</b>	<b>6 Months Ended 30 Sept 1996 £000</b>
Provision for diminution of investments	6(c)	(858)	(142)
Profit on sale of associated undertaking	6(a)	5,232	-
Interest receivable and similar income	2	3,719	2,450
Interest payable and similar charges	3	(4,102)	(2,288)
<b>Profit on ordinary activities before tax</b>		<u>3,991</u>	<u>20</u>
Taxation	5	-	-
<b>Profit for the financial period</b>		<u>3,991</u>	<u>20</u>
<b>Reserves brought forward</b>		(9,747)	(9,767)
<b>Reserves carried forward</b>		<u>(5,756)</u>	<u>(9,747)</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.

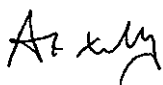
# **SCARCROFT INVESTMENTS LIMITED**

## **Balance Sheet**

	<b>Note</b>	<b>30 Sept 1997 £000</b>	<b>30 Sept 1996 £000</b>
<b>Fixed assets</b>			
Investments	6	0	18,719
<b>Current assets</b>			
Debtors (due within one year)	7	68,839	49,601
Debtors (due after more than one year)	7	27,750	30,000
		<u>96,589</u>	<u>79,601</u>
<b>Creditors (amounts falling due within one year)</b>	8	(74,595)	(78,067)
<b>Net current assets</b>		<u>21,994</u>	<u>1,534</u>
<b>Total assets less current liabilities</b>		<u>21,994</u>	<u>20,253</u>
<b>Creditors (amounts falling due in more than one year)</b>	8	(27,750)	(30,000)
<b>Net liabilities</b>		<u>(5,756)</u>	<u>(9,747)</u>
<b>Capital and reserves</b>			
Share capital	10	0	0
Profit and loss account	11	(5,756)	(9,747)
<b>Equity shareholders' funds</b>		<u>(5,756)</u>	<u>(9,747)</u>

These financial statements on pages 4 to 11 were approved by the Board of Directors on 29 July 1998 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. Other interest receivable and similar income**

	<b>Year Ended 30 Sept 1997 £000</b>	<b>6 Months Ended 30 Sept 1996 £000</b>
Interest received from parent undertaking	2,107	1,055
Interest received from subsidiary undertakings	1,612	1,395
	<hr/> <b>3,719</b> <hr/>	<hr/> <b>2,450</b> <hr/>

## **SCARCROFT INVESTMENTS LIMITED**

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

#### **3. Interest payable and similar charges**

	<b>Year Ended 30 Sept 1997 £000</b>	<b>6 Months Ended 30 Sept 1996 £000</b>
On other loans	2,107	1,055
Interest payable to parent undertaking	1,995	1,233
	<u>4,102</u>	<u>2,288</u>

#### **4. Directors and employees**

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

#### **5. Taxation**

	<b>Year Ended 30 Sept 1997 £000</b>	<b>6 Months Ended 30 Sept 1996 £000</b>
Corporation tax on profit for the period at 31%	<u>-</u>	<u>-</u>

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

#### **6. Fixed asset investments**

	<b>30 Sept 1997 £000</b>	<b>30 Sept 1996 £000</b>
Subsidiary undertakings	0	0
Associated undertakings	-	18,719
	<u>0</u>	<u>18,719</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 October 1996	500	18,219	18,719
Disposals	(500)	(18,219)	(18,719)
At 30 September 1997	<u>-</u>	<u>-</u>	<u>-</u>

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**

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

##### **c) Other investments**

	<b>Shares at cost £000</b>	<b>Loans £000</b>
At 1 October 1996	142	-
Loan made during the year	-	858
At 30 September 1997	<u>142</u>	<u>858</u>

##### **Provisions**

At 1 October 1996	142	-
Provided in the year	-	858
At 30 September 1997	<u>142</u>	<u>858</u>

##### **Net book value**

30 September 1997	<u>-</u>	<u>-</u>
1 October 1996	<u>-</u>	<u>-</u>

The Company holds 117,857 "A" ordinary shares of £1.20 in Royal Armouries (International) plc, which have been fully provided for. A loan was made to Royal Armouries (International) plc during the year, of £858,000, which has been fully provided for.

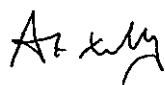
# **SCARCROFT INVESTMENTS LIMITED**

## **Balance Sheet**

	<b>Note</b>	<b>30 Sept 1997 £000</b>	<b>30 Sept 1996 £000</b>
<b>Fixed assets</b>			
Investments	6	0	18,719
<b>Current assets</b>			
Debtors (due within one year)	7	68,839	49,601
Debtors (due after more than one year)	7	<u>27,750</u>	<u>30,000</u>
		96,589	79,601
<b>Creditors (amounts falling due within one year)</b>	8	(74,595)	(78,067)
<b>Net current assets</b>		<u>21,994</u>	<u>1,534</u>
<b>Total assets less current liabilities</b>		<u>21,994</u>	<u>20,253</u>
<b>Creditors (amounts falling due in more than one year)</b>	8	(27,750)	(30,000)
<b>Net liabilities</b>		<u>(5,756)</u>	<u>(9,747)</u>
<b>Capital and reserves</b>			
Share capital	10	0	0
Profit and loss account	11	(5,756)	(9,747)
<b>Equity shareholders' funds</b>		<u>(5,756)</u>	<u>(9,747)</u>

These financial statements on pages 4 to 11 were approved by the Board of Directors on 29 July 1998 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**

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	<b>Year Ended 30 Sept 1997 £000</b>	<b>6 Months Ended 30 Sept 1996 £000</b>
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Interest received from subsidiary undertakings	1,612	1,395
	<u>3,719</u>	<u>2,450</u>

# **SCARCROFT INVESTMENTS LIMITED**

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

### **3. Interest payable and similar charges**

	<b>Year Ended 30 Sept 1997 £000</b>	<b>6 Months Ended 30 Sept 1996 £000</b>
On other loans	2,107	1,055
Interest payable to parent undertaking	1,995	1,233
	<u>4,102</u>	<u>2,288</u>

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### **5. Taxation**

	<b>Year Ended 30 Sept 1997 £000</b>	<b>6 Months Ended 30 Sept 1996 £000</b>
Corporation tax on profit for the period at 31%	<u>-</u>	<u>-</u>

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	<b>30 Sept 1997 £000</b>	<b>30 Sept 1996 £000</b>
Subsidiary undertakings	0	0
Associated undertakings	-	18,719
	<u>0</u>	<u>18,719</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 October 1996	500	18,219	18,719
Disposals	(500)	(18,219)	(18,719)
At 30 September 1997	<u>-</u>	<u>-</u>	<u>-</u>

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**

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

##### **c) Other investments**

	<b>Shares at cost £000</b>	<b>Loans £000</b>
At 1 October 1996	142	-
Loan made during the year	-	858
At 30 September 1997	<u>142</u>	<u>858</u>
<b>Provisions</b>		
At 1 October 1996	142	-
Provided in the year	-	858
At 30 September 1997	<u>142</u>	<u>858</u>
<b>Net book value</b>		
30 September 1997	<u>-</u>	<u>-</u>
1 October 1996	<u>-</u>	<u>-</u>

The Company holds 117,857 "A" ordinary shares of £1.20 in Royal Armouries (International) plc, which have been fully provided for. A loan was made to Royal Armouries (International) plc during the year, of £858,000, which has been fully provided for.

## **SCARCROFT INVESTMENTS LIMITED**

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

#### **7. Debtors**

	<b>30 Sept 1997 £000</b>	<b>30 Sept 1996 £000</b>
Amounts owed by parent undertaking:		
Due within one year	6,244	3,202
Due after more than one year	27,750	30,000
Amounts owed by subsidiary undertakings	62,595	45,609
Amounts owed by undertakings in which the company has a participating interest	-	790
	<u>96,589</u>	<u>79,601</u>

#### **8. Creditors**

	<b>30 Sept 1997 £000</b>	<b>30 Sept 1996 £000</b>
Creditors (amounts falling due within one year):		
Bank Loan	2,250	-
Accruals	1,848	1,804
Amounts owed to parent undertaking	70,497	76,263
	<u>74,595</u>	<u>78,067</u>
Creditors (amounts falling after more than one year):		
Bank Loan	27,750	30,000
Amounts owed to parent undertaking	-	-
	<u>27,750</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.

# **SCARCROFT INVESTMENTS LIMITED**

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

### **9. Borrowings**

Bank loans outstanding:

	<b>30 Sept 1997 £000</b>	<b>30 Sept 1996 £000</b>
Within one year, on demand	2,250	-
Between one and two years	3,000	2,250
Between two and five years	21,000	20,250
Over five years	3,750	7,500
	<u>30,000</u>	<u>30,000</u>

### **10. Called up share capital**

	<b>30 Sept 1997 £</b>	<b>30 Sept 1996 £</b>
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**

	<b>Year Ended 30 Sept 1997 £000</b>	<b>6 Months Ended 30 Sept 1996 £000</b>
Opening equity shareholders' funds	(9,747)	(9,767)
Profit for the year	3,991	20
Closing equity shareholders' funds	<u>(5,756)</u>	<u>(9,747)</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 ultimate holding and controlling company at 30 September 1997 was Yorkshire Power Group Ltd, 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.