

National Grid Holdings One plc

2367004

Directors' Report and Accounts 2001/2002



National Grid

National Grid Holdings One plc (formerly National Grid Group plc) ('NGH1')
Directors' report
for the year ended 31 March 2002.

The NGH1 ("the Company") Directors present their report and the audited accounts for the year ended 31 March 2002. Previously the ultimate holding company of the National Grid Group; on 31 January 2002, following a Scheme of Arrangement, the Company became a subsidiary within the Group and changed its name to National Grid Holdings One plc.

Principal activities

The Company acts as a holding company and will continue to do so for the foreseeable future. The principal activities of the Group ('National Grid'), are the operation, through The National Grid Company plc ('NGC'), of the transmission system in England and Wales, the procurement of ancillary services, and the operation of the interconnectors with Scotland and France. Other subsidiaries' activities include the holding of an investment in Energis plc, a UK telecommunications associate, Gridcom, a telecommunications infrastructure subsidiary, and investments in Argentina, Brazil, Chile, Poland and Zambia and the development of potential opportunities elsewhere.

Results and dividends

On 31 January 2002, the group disposed of its US group undertakings. The results of these entities are recorded as discontinued operations in the attached accounts.

Group turnover, of which £1,736.9m was from continuing operations, fell from £3,799.7m to £3,623.3m. This fall was primarily as a result of a reduction in turnover from discontinued operations (£215.5m); lower turnover within UK transmission (£79.7m); UK interconnectors (£20.7m) and market services businesses disposed of during 2000/2001 (£32.5m), partially offset by an increase in turnover within EnMO (£192.9m).

Total operating profit before goodwill amortisation and exceptional items fell by £18.9m to £720.5m. The fall in operating profits primarily results from reductions in operating profits from UK interconnectors (£23.0m); discontinued operations (£49.1m); a decrease in operating profits from Energis (£8.1m)¹; an increase in operating losses in other telecom joint ventures (£12.0m) and an increase in operating losses within other activities (£50.6m), partially offset by increased operating profit in the UK transmission business (£38.4m) and lower losses within Intelig (£82.5m). UK transmission operating profit increased mainly as a result of an excellent performance in managing system balancing costs. This has resulted in achieving the maximum profits of £46.3m from the Balancing Services Incentive Scheme which were higher than the predecessor scheme profits in 2000/2001. In addition, the UK transmission business has reduced transmission owner controllable costs by 8% in real terms. Profits from discontinued operations are lower since they only represent 10 months trading prior to disposal compared to a full year of trading last year. Other operating losses have increased primarily due to exchange differences charged to operating profit during 2002 which arose as a result of hedging activities in respect of Group undertakings outside of the NGH One group of companies and increased losses within telecoms businesses.

Profit on ordinary activities before tax is stated after net exceptional costs of £103.9m. These comprise an impairment of the group's investment in its joint ventures and associates together with associated obligations (£715.7m); costs relating to a reorganisation in the UK business (£40.5m); costs relating to a reorganisation in the discontinued operations (£5.5m); an exceptional net interest charge being the group's share of a joint venture's exceptional net interest charge arising as a result of the devaluation of the Argentinean peso (£92.5m); other exceptional costs (£6.1m), partially offset by an exceptional profit on disposal of the US business (£703.7m); an exceptional profit relating to the partial disposal of the group's interest in Energis shares as a result of the issue of shares by Energis relating to the acquisition by Energis of further shares in Ision (£20.1m); profit on disposal of tangible fixed assets (£22.0m) and profit on disposal of a joint venture (£10.6m).

The tax charge for the year totalled £12.0m (2001: credit of £53.3m) and includes a tax credit of £32.0m (2001: £235.4m) relating to exceptional items.

As a result of the above, profit on ordinary activities after taxation fell £371.7m to £299.4m for the year.

¹ In respect of the associate, Energis plc, results for the year ended 31 March 2002 were not available at the date on which these accounts were approved. As a consequence, results for the year ended 31 March 2002 only include the group's share of the associate's operating losses for the six months ended 30 September 2001, this being the latest period for which published results were available.

Directors

The following persons served as Directors of the Company during the year :-

E M Astle (Appointed 1 September 2001)
S J Box
C R A Carter (Appointed 12 March 2002)
R F W Faircloth (Ceased 12 March 2002)
J A M Grant (Ceased 12 March 2002)
S J Holliday
Professor P L Joskow (Ceased 12 March 2002)
M D O'Donovan (Appointed 12 March 2002)
R G Reynolds (Ceased 12 March 2002)
J H Ross (Ceased 12 March 2002)
R P Sergel
F B Smith (Appointed 12 March 2002)
Dr R J Urwin

Directors' interests

The interests of Directors in shares of Group companies at 31 March 2002 are disclosed in the National Grid Group ("NGG") annual report and accounts where they are also Directors of the ultimate parent undertaking.

The interests of C R A Carter, M D O'Donovan and F B Smith are shown below: All interests at 1 April 2001 were in National Grid Group plc ordinary shares of 11 3/4p each (Company number 2367004) – renamed National Grid Holdings One plc on 31 January 2002 at the Scheme of Arrangement. From 31 January 2002 all interests are in National Grid Group plc (Company number 4031152) ordinary 10p shares.

Ordinary shares in National Grid Group plc		Executive Share Options	Employee Sharesave Options	Shares Beneficially Owned
C R A Carter	- on appointment :	76,324	3,692	22,396
	- 31 March 2002 :	76,324	3,692	23,058
M O'Donovan	- on appointment and 31 March 2002 :	52,257	7,039	28,414
F B Smith	- on appointment and 31 March 2002 :	151,851	5,110	29,483

*Includes shares acquired under the NGG share match scheme. Subject to retention of the shares acquired in accordance with the rules of the scheme, matching awards of new NGG Ordinary shares would be exercisable by C R A Carter (905 shares) and F B Smith (1,815 shares), in addition to the above.

At no time during the year has any Director had any material interest in a contract of significance to the business of NGH1 or its subsidiaries.

Employment policies

National Grid has well-established arrangements, through team briefing, electronic mail and in-house newspapers, for communicating effectively with staff on matters of concern to them as employees. Regular consultation with UK staff and their trades union representatives takes place through the Company Council and local workplace councils.

All operating companies within the National Grid Group are required to build and maintain good standards of employment practice appropriate to the culture and legislative requirements in each company of operation. Applications for employment from disabled people are welcomed and given full and fair consideration. If any employee becomes disabled, every effort is made to continue their employment, including retraining.

Investors in People accreditation for the Group's UK operations was received in November 2000.

National Grid operates equity participation arrangements for employees, including Sharesave in the UK.

Pensions litigation

On 4 April 2001, the House of Lords delivered its decision on an appeal brought by National Grid concerning the use of the surplus in its section of the Electricity Supply Pension Scheme (ESPS). The House of Lords found in favour of National Grid and confirmed that its use of the surplus was entirely lawful and proper. The House of Lords decision resolves this extended litigation, which arose from complaints made by two pensioners in 1995 about National Grid's actions in relation to the 1992 surplus. International Power (formerly National Power) was also successful in a parallel case.

Research and development

Expenditure in 2001/02 on research and development was £6.2 million, compared with £8.1 million in 2000/2001.

Payment to suppliers

National Grid is a signatory to the CBI Code of Prompt Payment and has procedures to ensure the payment of bills in accordance with contract terms. Copies of the CBI Code of Prompt Payment may be obtained from the CBI, Centre Point, 183 New Oxford Street, London WC1A 1DU.

The average creditor payment period as at 31 March 2002 for NGC, the principal operating company within the group, was 35 days (2001: 28 days).

Charitable and other donations

During the year, charitable donations of £179,300 were made. In addition to this contribution to charitable organisations via the Charities Aid Foundation, National Grid provides financial and in kind support to many other organisations through its community involvement programme.

No donations were made in the UK or EU for the purposes of the Political Parties Elections and Referendums Act 2000.

Treasury and financing

The group has a bilateral committed bank facility for £100 million available through its principal operating subsidiary maturing in December 2003, and which was unused as at the year end.

Further sources of liquidity are provided by a £250m commercial paper programme, £262m of uncommitted bank facilities and through the ability to demand repayment of inter-company loans to subsidiaries of the ultimate parent undertaking.

Treasury policy

The primary funding and treasury risk management of the group is carried out by a central Treasury department of the ultimate parent undertaking, operating under policies and guidelines approved by its Board. A standing committee of the Board of the ultimate parent undertaking is responsible for regular reviews and monitoring of Treasury activity and for approval of specific transactions. The major financial risk faced by the group is interest rate risk. Other potential risks and the policies applicable are described below.

The Treasury department is not operated as a profit centre. Debt and treasury positions are managed in a non-speculative manner, such that all transactions in financial instruments or products are matched to an underlying business requirement. The group uses off-balance sheet derivative instruments ("derivatives") principally for reducing interest rate risk. Derivatives are not held for trading purposes.

Risk Management

Interest rate risk

In order to protect the group from adverse interest rate movements, the interest rate on the debt portfolio is managed through the use of fixed-rate debt, combined with the use of interest rate swaps, options and option-related instruments with a view to maintaining a significant proportion of fixed rates over the medium term. The proportion at fixed rates is varied over time and within policy guidelines, depending on debt projections and market levels of interest rates. As a 100% owned subsidiary of National Grid Group plc, due regard is taken of the position of the parent company so as to achieve an appropriate position for the wider parent company group. The resulting position as at 31 March 2002 is shown in note 19 to the Accounts on page 20.

Liquidity risk

The group seeks to ensure that all of its forecast cash needs for a period of at least 12 months ahead are fully covered by term loans drawn, committed bank facilities or funding from the ultimate parent undertaking or its subsidiaries. Beyond this time, a prudent level of committed availability is maintained. Longer-term refinancing risk is controlled by ensuring that the amount of loans maturing in any year is not excessive, compared to the group's borrowing capacity. Furthermore, the Group debt includes £480 million of debt exchangeable into shares of the ultimate parent undertaking. The maturity analysis of debt is shown in note 18 on page 19.

The group's principal operating company, NGC, has long term credit ratings of A1 and A and short term ratings of P1 and A1 from Moody's and Standard and Poor's respectively. Following announcement of the proposed merger with Lattice Group plc by the ultimate parent undertaking the credit ratings from Moody's were placed on creditwatch for a possible downgrade. Nonetheless these credit ratings mean that the group will have ready access to the capital and bank markets for future funding when needed.

Currency risk

The principal currency risk the group is exposed to arises from the translation of assets and liabilities not denominated in sterling, this being the group's currency for reporting purposes. Currency risk is managed by transacting forward foreign exchange transactions and by matching the original cost of foreign currency investments with currency borrowings and derivatives. An exception is made for certain countries where creating a currency hedge is not practical or cost effective. As at the year end the amounts of foreign currency assets and liabilities was not material.

The currency composition of the group's financial assets and liabilities is shown in note 19 on page 20.

Credit risk

At the year end, the Group had £91.2 million of cash and deposits. The group is exposed to the credit risk of the counterparties to these investments and on certain other financial instruments. The group's policy is to select only counterparties with high quality credit ratings of at least A-/A3 long term or A1/P1 short term from Standard & Poor's or Moody's respectively and therefore it does not expect any counterparties to fail to meet their obligations.

Changes and developments

During the year NGC raised £600m of new finance through the issue of bonds maturing in 2020, 2028, 2030 which were RPI indexed, fixed rate and limited RPI indexed respectively.

Auditors

A resolution to re-appoint PricewaterhouseCoopers as auditors of the company will be proposed at the Annual General Meeting.

Annual General Meeting

Notice of the NGH1 Annual General meeting for 2002 will be posted separately to shareholders.

On behalf of the board



F B Smith
Company Secretary
29 May 2002

Registered Office
15 Marylebone Road
London
NW1 5JD

Registered in England and Wales No. 2367004

Directors' responsibilities in respect of the preparation of the accounts

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

The Directors are responsible 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 accounts comply with the Companies Act 1985. They also have general responsibility for taking reasonable steps to safeguard the assets of the group and for taking reasonable steps to prevent and detect fraud and other irregularities.

The Directors consider that, in preparing the accounts, suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used and that applicable accounting and financial reporting standards have been followed. The Directors also confirm that the going concern basis is appropriate.

Independent auditors' report to the members of National Grid Holdings One plc

We have audited the accounts of National Grid Holdings One plc for the year ended 31 March 2002 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes on pages 6 to 23. These accounts have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the accounts in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities above.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

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 accounts, 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 Director's report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

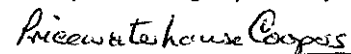
Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, 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 accounts 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 accounts give a true and fair view of the state of the group's and the Company's affairs at 31 March 2002 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London
29 May 2002

Accounting policies

a) Basis of preparation of accounts

The accounts are prepared under the historical cost convention, as modified by the valuation of the Company's investment in National Grid Holdings Limited (note 13), and in accordance with applicable UK accounting and financial reporting standards.

During the year, the group has adopted accounting standards Financial Reporting Standard ("FRS") 18 "Accounting Policies" and FRS 19 "Deferred Tax". There has been no material impact to the group of adopting FRS 18. The impact of adopting FRS 19 is shown in Note 1.

The group is following the transitional arrangements of FRS 17 "Retirement Benefits". The required disclosures are shown in note 7. Full adoption of the standard is required for the year ended 31 March 2004.

b) Basis of consolidation

The group accounts include the accounts of the Company and all its subsidiary undertakings, ("Group undertakings"), together with the group's share of the results and net assets of its associate and joint ventures ("associated undertakings"), less any provision for impairment. An associated undertaking is an entity in which the group has a participating interest and over which it exercises a significant influence.

The accounts of group and associated undertakings used for consolidation are generally made up to 31 March. However, where this has not been practical, the results of certain group undertakings and joint ventures have been based on their accounts to 31 December.

The results of newly acquired group and associated undertakings are included in the group accounts from the date the group acquires control or, in respect of associated undertakings, an equity interest which enables it to exercise a significant influence. The results of group businesses and associated undertakings are included in the group accounts up to the date that control or the exercise of significant influence, as appropriate, is relinquished.

In respect of the results included in the group accounts for the year ended 31 March 2002 for the associate ("Energis"), the group accounts only include the group's share of the unaudited results for the six month period ended 30 September 2001. The results of Energis for the year ended 31 March 2002 were not available at the date the group accounts were signed.

c) Goodwill

Goodwill, representing the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired, is capitalised and amortised through the profit and loss account over its estimated useful economic life - up to 20 years.

d) Foreign currencies

The results of the group's overseas operations are translated into sterling at weighted average rates of exchange. Assets and liabilities in foreign currencies are generally translated at the rates of exchange ruling at the balance sheet date. In respect of certain assets or liabilities that are matched by an exact and directly related forward exchange derivative, then the relevant asset or liability is translated at the rate of exchange under the related derivative.

Exchange differences arising on the translation of the opening net assets of overseas operations, the re-translation of the retained earnings of overseas operations from average to closing rates of exchange and the translation of foreign currency borrowings or derivatives taken to hedge overseas assets are taken directly to reserves. Tax charges or credits arising on such items are also taken to reserves.

All other exchange differences and related tax charges or credits are taken to the profit and loss account and disclosed separately where deemed exceptional.

e) Tangible fixed assets and depreciation

Tangible fixed assets are included in the balance sheet at their cost less accumulated depreciation. Costs include payroll and finance costs incurred which are directly attributable to the construction of tangible fixed assets.

No depreciation is provided on freehold land and assets in the course of construction. Other tangible fixed assets are depreciated, principally on a straight line basis, at rates estimated to write off their book values over their estimated useful economic lives. In assessing estimated useful economic lives, which are reviewed on a regular basis, consideration is given to any contractual arrangements and operational requirements relating to particular assets. Unless otherwise determined by operational requirements, the depreciation periods for the principal categories of tangible fixed assets are, in general, as follows:

	Years
Plant and machinery	
Transmission plant	15 to 60
Distribution plant	15 to 60
Interconnector plant	15 to 25
Freehold and leasehold properties	up to 65
Motor vehicles and office equipment	3 to 5

Accounting policies (continued)

f) Deferred taxation

Deferred taxation is provided in full on all material timing differences, with certain exceptions. No provision for deferred taxation is made for any timing differences on non-monetary assets arising from fair value adjustments, except where there is a binding agreement to sell the assets concerned. However, no provision is made where it is more likely than not that any taxable gain will be rolled over into replacement assets.

Deferred tax assets are only recognised to the extent that their recovery is considered more likely than not.

Deferred tax balances have not been discounted.

g) Stocks

Stocks, which primarily comprise consumable stores, are stated at the lower of cost and net realisable value.

h) Decommissioning

Decommissioning liabilities, based on discounted future estimated expenditures expected to be incurred, are provided for in full and a corresponding tangible fixed asset or regulatory asset is also recognised.

i) Turnover

Turnover primarily represents the amounts derived from the supply and generation of energy and the provision of related services. Turnover excludes inter-business and inter-company transactions, and is stated net of value added tax and similar sales-based taxes.

j) Pensions and other post-retirement benefits

The cost of providing pensions and other post-retirement benefits is charged to the profit and loss account on a systematic basis over the service lives of the employees in the schemes. Variations from the pension cost are allocated over the estimated average remaining service lives of current employees.

k) Leases

Finance lease income is allocated to accounting periods so as to give a constant rate of return on the net investment in the lease. The net investment in a finance lease is included in debtors and represents the total rentals receivable, net of finance charges, relating to future periods.

Operating lease payments are charged to the profit and loss account on a straight line basis over the term of the lease.

l) Financial instruments

Derivative financial instruments ("derivatives") are used by the group mainly for the management of its interest rate and foreign currency exposures and commodity price risks in respect of expected energy usage. The principle derivatives used include interest rate swaps, currency swaps and forward foreign currency agreements.

All transactions are undertaken or maintained to provide a commercial hedge of the interest or currency risks associated with the group's underlying business activities and the financing of those activities. Amounts payable or receivable in respect of interest rate swaps are recognised in the profit and loss account over the economic lives of the agreements or underlying position being hedged, either within net interest or disclosed separately where deemed exceptional.

Currency swaps and forward currency agreements are retranslated at the rate of exchange prevailing at the balance sheet date with the corresponding exchange adjustment being dealt with in reserves or the profit and loss account as appropriate.

Those derivatives, relating both to interest rates and/or currency exchange, that are directly associated with a specific transaction and exactly match the underlying cash flows relating to the transaction are accounted for on the basis of the combined economic result of the transaction including the related derivative.

National Grid Holdings One plc

Group profit and loss account
for the years ended 31 March

	Notes	2002 £m	2001 (restated) £m
Turnover, including share of joint ventures		3,882.6	4,004.1
Less: share of joint ventures' turnover (continuing operations)		(259.3)	(204.4)
Group turnover			
- continuing operations		1,736.9	1,697.8
- discontinued operations		1,886.4	2,101.9
	2 (a)	3,623.3	3,799.7
Operating costs	3	(3,104.0)	(3,094.2)
Operating profit of Group undertakings			
- continuing operations		344.6	534.7
- discontinued operations		174.7	170.8
	2 (b)	519.3	705.5
Share of joint ventures' and associate's operating loss (continuing operations)			
- continuing operations		(642.6)	(103.9)
- discontinued operations		4.2	7.9
	2 (b)	(638.4)	(96.0)
Operating profit			
- Before exceptional items and goodwill amortisation	2 (b)	720.5	739.4
- Exceptional costs	4 (a)	(52.1)	(45.3)
- Impairment of investments in joint ventures and associate	4 (b)	(715.7)	-
- Goodwill amortisation		(71.8)	(84.6)
Total operating (loss)/profit (continuing and discontinued operations)	2 (b)	(119.1)	609.5
Exceptional profit relating to partial disposal of Energis	4 (c)	20.1	243.3
Profit on disposal of investments	4 (d)	714.3	20.1
Profit on disposal of tangible fixed assets		22.0	-
Net interest			
- Excluding exceptional items	8	(233.4)	(255.1)
- Exceptional items	8	(92.5)	-
	8	(325.9)	(255.1)
Profit on ordinary activities before taxation		311.4	617.8
Taxation			
- Excluding exceptional items	9	(44.0)	(182.1)
- Exceptional items	9	32.0	235.4
	9	(12.0)	53.3
Profit on ordinary activities after taxation		299.4	671.1
Minority interests			
Equity		(4.9)	(5.1)
Non-equity		(0.7)	(1.8)
		(5.6)	(6.9)
Profit for the year		293.8	664.2
Dividends	10	(845.6)	(223.0)
Retained (loss)/profit	22	(551.8)	441.2

Group statement of total recognised gains and losses
for the years ended 31 March

	Note	2002 £m	2001 (restated) £m
Profit for the year		293.8	664.2
Exchange adjustments		(82.6)	(14.7)
Tax on exchange adjustments		(6.5)	31.9
Total recognised gains and losses relating to the year		204.7	681.4
Prior year adjustment	1	(802.3)	-
Total gains and losses recognised since last annual report		(597.6)	-

National Grid Holdings One plc

Balance sheets
at 31 March 2002

	Notes	Group 2002 £m	Group 2001 (restated) £m	Company 2002 £m	Company 2001 £m
Fixed assets					
Intangible assets - goodwill	11	-	1,386.2	-	-
Tangible assets	12	3,671.1	5,617.3	-	-
Investments in joint ventures					
- Share of gross assets		876.1	1,133.6	-	-
- Share of gross liabilities		(718.4)	(799.7)	-	-
- Share of net assets		157.7	333.9	-	-
- Loans to joint ventures		86.8	64.9	-	-
- Impairment of investments in joint ventures		(230.0)	-	-	-
Investments in joint ventures (net of impairment)		14.5	398.8	-	-
Investment in associate (net of impairment)		-	401.9	-	-
Other investments		45.8	145.1	1,973.2	1,996.5
Total investments	13	60.3	945.8	1,973.2	1,996.5
		3,731.4	7,949.3	1,973.2	1,996.5
Current assets					
Stocks		26.3	34.1	-	-
Debtors (amounts falling due within one year)	14	2,640.1	880.4	2,765.7	4,066.3
Debtors (amounts falling due after one year)	14	45.4	1,053.9	2.2	18.1
Assets held for exchange	15	16.6	16.6	-	-
Cash and deposits		91.2	271.2	3.0	1.6
		2,819.6	2,256.2	2,770.9	4,086.0
Creditors (amounts falling due within one year)					
Borrowings		(392.6)	(1,008.7)	(247.5)	(760.9)
Other creditors		(1,071.2)	(1,205.0)	(2,259.1)	(2,212.4)
	16	(1,463.8)	(2,213.7)	(2,506.6)	(2,973.3)
Net current assets		1,355.8	42.5	264.3	1,112.7
Total assets less current liabilities		5,087.2	7,991.8	2,237.5	3,109.2
Creditors (amounts falling due after more than one year)					
Convertible bonds		(491.3)	(480.3)	-	-
Other borrowings		(1,527.7)	(2,700.4)	-	(834.1)
Other creditors		(42.1)	(574.8)	(18.6)	-
	17	(2,061.1)	(3,755.5)	(18.6)	(834.1)
Provisions for liabilities and charges					
Joint ventures					
- Share of gross assets		296.3	-	-	-
- Share of gross liabilities		(333.6)	-	-	-
- Share of net liabilities		(37.3)	-	-	-
Other provisions		(909.1)	(1,521.0)	-	-
	20	(946.4)	(1,521.0)	-	-
Net assets employed		2,079.7	2,715.3	2,218.9	2,275.1
Capital and reserves					
Called up share capital	21	176.3	174.7	176.3	174.7
Share premium account	22	334.4	276.9	334.4	276.9
Revaluation reserve	22	-	-	624.4	624.4
Other reserve	22	-	-	29.1	39.1
Profit and loss account	22	1,569.7	2,221.9	1,054.7	1,160.0
Equity shareholders' funds		2,080.4	2,673.5	2,218.9	2,275.1
Minority interests					
Equity		(0.7)	21.8	-	-
Non-equity	23	-	20.0	-	-
		(0.7)	41.8	-	-
		2,079.7	2,715.3	2,218.9	2,275.1

The accounts on pages 6 to 23 inclusive were approved by the Board of Directors on 29 May 2002 and were signed on its behalf by:

Director



Notes to the accounts

Prior year adjustments

a) Deferred tax

The adoption of Financial Reporting Standard 19 "Deferred Tax" (FRS 19) has resulted in a change in the method of accounting for deferred tax, from a partial to a full provision basis. This change in accounting policy has been reflected in the accounts as a prior year adjustment in accordance with Financial Reporting Standard 3. The effect on the group balance sheet at 31 March 2001 is shown below.

	31 March 2001		
	As previously reported £m	Deferred tax adjustments £m	Restated £m
Intangible assets - goodwill	1,186.2	200.0	1,386.2
Investments in joint ventures	400.3	(1.5)	398.8
Investment in associate	414.9	(13.0)	401.9
Debtors (amounts falling due after one year)	1,016.5	37.4	1,053.9
Provisions for liabilities and charges	(495.8)	(1,025.2)	(1,521.0)
Movement in equity shareholders' funds		(802.3)	

Profit after taxation for the year ended 31 March 2001 has been reduced by £104.8m.

It is impractical to determine the effect on the current year results of adopting FRS 19, due to the sale of the US businesses during the year.

b) Minority interests

Prior year numbers have also been restated to reflect a revised presentation of the minority interests' share of the results of associated undertakings. The minority interests, which were previously reported within operating profit, net interest and taxation are now included within minority interests.

Segmental analysis

a) Turnover

	Turnover					
	Total sales 2002 £m	Sales between businesses 2002 £m	Sales to third parties 2002 £m	Total sales 2001 £m	Sales between businesses 2001 £m	Sales to third parties 2001 £m
Turnover, including share of joint ventures	3,952.2	69.6	3,882.6	4,049.3	45.2	4,004.1
Less: share of joint ventures' turnover	(259.3)	-	(259.3)	(204.4)	-	(204.4)
Group turnover	3,692.9	69.6	3,623.3	3,844.9	45.2	3,799.7
Continuing operations						
Transmission - UK	1,241.8	22.7	1,219.1	1,315.6	16.8	1,298.8
Interconnectors - UK	63.1	0.2	62.9	83.6	-	83.6
Other activities	501.6	46.7	454.9	339.7	24.3	315.4
	1,806.5	69.6	1,736.9	1,738.9	41.1	1,697.8
Discontinued operations - USA	1,886.4	-	1,886.4	2,106.0	4.1	2,101.9
Group turnover	3,692.9	69.6	3,623.3	3,844.9	45.2	3,799.7
Europe			1,736.9			1,696.6
North America			1,886.4			2,103.1
			3,623.3			3,799.7

The analysis of turnover by geographical area is on the basis of origin. Turnover on a destination basis would not be materially different.

Continuing operations "Other activities" turnover primarily comprises market services, including EnMO which provides the On-the-day Commodity Market for gas trading in Great Britain, and contracting activities.

Notes to the accounts

2. Segmental analysis (continued)

b) Operating profit

	Operating profit				Net Assets	
	Before exceptional items and goodwill amortisation		After exceptional items and goodwill amortisation			
	2002	2001 (restated)	2002	2001 (restated)	2002	2001 (restated)
	£m	£m	£m	£m	£m	£m
Continuing operations						
Transmission - UK	524.7	486.3	484.9	486.3	3,141.9	3,055.9
Interconnectors - UK	19.8	42.8	19.8	42.8	150.9	152.1
Other activities	(44.0)	6.6	(50.7)	5.6	4.6	343.2
Impairment of investments in joint ventures and associate	-	-	(109.4)	-	-	-
Continuing operations	500.5	535.7	344.6	534.7	3,297.4	3,551.2
Discontinued operations - USA	240.0	285.4	174.7	170.8	-	3,876.4
Group undertakings	740.5	821.1	519.3	705.5	3,297.4	7,427.6
Telecommunications - Energis	(3.7)	4.4	(407.5)	(9.4)	-	401.9
- Intelig	(35.5)	(118.0)	(151.7)	(118.0)	-	164.8
- Other	(15.4)	(3.4)	(113.8)	(3.9)	-	110.5
Other electricity activities	30.4	27.4	30.4	27.4	(22.8)	90.7
Continuing operations	(24.2)	(89.6)	(642.6)	(103.9)	(22.8)	767.9
Discontinued operations	4.2	7.9	4.2	7.9	-	32.8
Joint ventures and associate	(20.0)	(81.7)	(638.4)	(96.0)	(22.8)	800.7
Total operating profit	720.5	739.4	(119.1)	609.5		
Unallocated net liabilities					(1,195.0)	(5,513.0)
Net assets employed					2,079.6	2,715.3
Europe	491.0	545.0	7.6	531.2	3,280.5	3,821.9
Latin America	(19.3)	(97.8)	(310.1)	(98.3)	(37.3)	317.7
Rest of the World	4.4	4.2	4.4	4.2	31.4	25.2
Continuing operations	476.1	451.4	(298.1)	437.1	3,274.6	4,164.8
Discontinued operations - North America	244.4	288.0	179.0	172.4	-	4,063.5
Total operating profit	720.5	739.4	(119.1)	609.5		
Unallocated net liabilities					(1,195.0)	(5,513.0)
Net assets employed					2,079.6	2,715.3

In 2002, an exceptional charge relating to the impairment of investments in joint ventures and associate of £715.7m, as explained in note 4(b), has been reflected in the segmental analysis of operating profit shown above. Included within this amount is £109.4m that relates to the recognition of related liabilities attributable to group undertakings.

It is not practical to allocate the 2001 exceptional costs (see note 4(a)) over the above segments, as a consequence of the integration of the operations of NEES and EUA.

The analysis of net assets by business segment includes all attributable goodwill and excludes inter-business balances. Unallocated net liabilities include net borrowings, taxation, interest, dividends, investment in own shares and assets held for exchange and taxation related regulatory assets.

Notes to the accounts

3. Operating costs

	Continuing operations 2002	Discontinued operations 2002	Total 2002	2001 (restated)
	£m	£m	£m	£m
Depreciation	179.0	97.2	276.2	276.5
Payroll costs (note 5(a))	120.4	155.8	276.2	302.7
Purchases of electricity	1.2	1,087.4	1,088.6	1,247.9
Rates	102.1	60.4	162.5	176.5
Balancing Services Incentive Scheme direct costs ⁽ⁱ⁾	203.8	-	203.8	219.6
EnMO direct costs	394.9	-	394.9	201.2
Other operating charges	390.9	310.9	701.8	669.8
	1,392.3	1,711.7	3,104.0	3,094.2
Operating costs include:				
Research and development costs			6.2	8.1
Foreign exchange losses			25.0	-
Operating lease rentals				
- Plant and machinery			6.3	4.2
- Other			16.6	15.1
Amortisation of goodwill ⁽ⁱⁱ⁾			59.8	70.3
Amortisation of regulatory assets			9.7	33.2
Auditors' remuneration				
- Statutory audit fees (Company £8,000 (2001: £7,500))			1.2	1.0
- Taxation, acquisition activity (including due diligence), and other strategic advice			3.6	3.6
- Stock exchange related			0.3	0.1
- Regulatory related services			0.2	0.8
- Other			0.1	0.6
			4.2	5.1
			5.4	6.1

(i) Comparative period figures relate to a predecessor scheme

(ii) Excludes goodwill of £12.0m (2001: £14.3m) relating to joint ventures and associate.

In addition to the non-audit fees of £4.2m (2001: £5.1m), fees of: a) Enil (2001: £1.5m), incurred in respect of acquisitions, have been capitalised; and b) Enil (2001: £0.5m) incurred in respect of disposals which have been charged in arriving at the profit on disposal of businesses. Fees of Enil (2001: £4.3m) relating to the development and implementation of the new electricity trading arrangements, which are fully recoverable, have also been paid to PricewaterhouseCoopers.

4. Exceptional items

a) Exceptional costs

The 2002 exceptional costs of £52.1m (£37.8m after tax) comprise a business reorganisation within the UK amounting to £40.5m (£28.4m after tax), restructuring costs in the US businesses which were sold in the year of £5.5m (£3.3m after tax) and other exceptional costs of £6.1m (£6.1m after tax).

The 2001 exceptional integration costs of £45.3m (£39.4m after tax) principally comprise early retirement costs arising on the integration of the operations of NEES and EUA.

b) Impairment of investments in joint ventures and associate

The exceptional charge of £715.7m (£698.0m after tax) relates to the write down of the group's investment in its joint ventures and associate. The exceptional charge comprises a write-down of the carrying value of these investments of £606.3m (£588.6m after tax) to their estimated recoverable amounts, and the recognition of related liabilities of £109.4m (£109.4m after tax).

c) Exceptional profit relating to partial disposal of Energis

The 2002 exceptional profit totalling £20.1m (£20.1m after tax) relates to the partial disposal of Energis arising from a reduction in the group's interest in Energis plc, an associated undertaking, as a result of the issue of shares by Energis relating to the acquisition by Energis of further shares in Ision.

The 2001 exceptional profit of £243.3m (restated) (£243.3m (restated) after tax) arises from reductions in the group's interest in Energis plc ("Energis"), an associated undertaking, primarily as a consequence of the placing of shares by Energis in September 2000 and the acquisition by Energis of a majority stake in Ision in January 2001.

d) Profit on disposal of investments

The 2002 exceptional profit of £714.3m (£714.3m after tax) comprises the profit on sale of the group's US investments to the ultimate parent undertaking amounting to £703.7m (£703.7m after tax) and a net gain on the disposal of a joint venture of £10.6m (£10.6m after tax). The results of the US businesses to the date of disposal are shown in discontinued operations. The results of the joint venture up to the date of disposal are included within the group's share of joint ventures' results.

The 2001 exceptional profit of £20.1m (£20.1m after tax) relates to the net gain on the disposal of market services businesses. The operating results of these businesses up to the date of disposal are included within other activities.

e) Financing

The 2002 exceptional net interest charge of £92.5m (£92.5m after tax) relates to the group's share of a joint venture's exceptional net interest charge. The exceptional charge arises as a result of the devaluation of the Argentinean peso, resulting in the joint venture reflecting an exceptional foreign exchange financing related devaluation charge in its profit and loss account.

f) Exceptional tax credit

The 2001 exceptional tax credit of £229.5m represents a reversal of the 2000 exceptional tax charge relating to the exceptional profit on the partial disposal of Energis, arising from the realisation of capital losses for tax purposes as a result of group restructurings.

Notes to the accounts

5. Payroll costs and employees

	2002 £m	2001 £m
a) Payroll costs		
Wages and salaries	300.2	326.0
Social security costs	22.4	26.3
Other pension costs	16.5	18.9
	<u>339.1</u>	<u>371.2</u>
Less: amounts capitalised	<u>(62.9)</u>	<u>(68.5)</u>
	<u>276.2</u>	<u>302.7</u>
	31 March 2002 Number	Average 2002 Number
b) Number of employees		Average 2001 Number
Europe	3,082	3,662
North America	21	9
Latin America	14	17
Rest of the World	7	8
Continuing operations	<u>3,124</u>	<u>3,696</u>
Discontinued operations - North America	<u>-</u>	<u>3,827</u>
	<u>3,124</u>	<u>7,523</u>

The vast majority of employees in:

- Europe are either directly or indirectly employed in the transmission of electricity in the UK.
- North America are either directly or indirectly employed in the transmission, distribution and generation of electricity in the USA.

6. Directors' emoluments and interests in shares

Total emoluments of the Directors of the Company for the year ended 31 March 2002 were as follows:

	2002 £000	2001 £000
Salaries and benefits	2,130	1,976
Performance related bonuses	<u>897</u>	<u>735</u>
	<u>3,027</u>	<u>2,711</u>

The emoluments of the highest paid Director were £697,840 (2001: £665,440). The amount of accrued pension at 31 March 2002 for the highest paid Director was £264,000 (2001: £284,000).

One Director (2001: One Director) exercised share options in National Grid Group plc during the year.

Retirement benefits at 31 March 2002 are accruing in respect of eight Directors (2001: six Directors) under a defined benefit scheme.

7. Pensions and post-retirement benefits

Substantially all of the group's UK employees are members of the Electricity Supply Pension Scheme ("the Scheme"), a defined benefit funded scheme. The assets of the Scheme are held in a separate trustee administered fund. The Scheme is divided into sections, one of which is the group's section. The latest full actuarial valuation of the group's section of the Scheme was carried out by Bacon & Woodrow, Consulting Actuaries, as at 31 March 2001. The results of this actuarial valuation have been used as the basis for assessing pension costs.

The projected unit method was used for the last valuation and the principal actuarial assumptions adopted were that the real rates of return would be 4.5% on investments held in respect of members before they reach retirement and 3.5% on investments held in respect of members after they reach retirement; that the annual rate of inflation would average 2.3%; that the real annual increase in salary would average 1.0%; and that pensions would increase at a real annual rate of 0.2%. The total market value of assets relating to the group's section of the Scheme at 31 March 2001 was £1,336.3m and the actuarial value of the assets represented approximately 118.3% of the actuarial value of benefits that had accrued to members measured on a past service basis. The agreed contribution rate for the forthcoming year is 6%.

Substantially all of the group's employees in the discontinued US operations were members of defined benefit plans. The assets of the plans were held in separate trustee administered funds. The latest full actuarial valuations were carried out at 1 April 2001. The projected unit method was used for the latest valuations and the principal actuarial assumptions adopted were that the real annual rate of return on investments would average 4.7%; that real annual increases in salary would average 0.5%; that inflation would average 4.0%; and that nominal increases in pensions would be nil. The market value of the assets relating to the group's US defined benefit plans at 1 April 2001 was US dollar 1,082m and the actuarial value of the assets represented 103% of the actuarial value of the benefits that had accrued to members, after allowing for future salary increases.

The pension cost for the year ended 31 March 2002 charged to operating profit of £16.5m (2001: £18.9m) represents the regular pension cost of £14.8m (2001: £21.2m) plus a variation from the regular pension cost totalling £1.7m (2001: less a variation of £2.3m), which includes a credit of £1.5m (2001: £1.5m) relating to the partial release of a pension provision. In addition, net interest includes a credit of £9.6m (2001: £15.7m) in respect of the notional interest element of the variation from the regular pension cost.

Included in debtors is a pension prepayment of £6.7m (2001: £28.2m).

In the discontinued US operations, the group provided health care and life insurance to eligible retired US employees. Eligibility was based on certain age and length of service requirements and in some cases retirees contributed to the cost of their coverage. The latest actuarial valuations were carried out as at 1 April 2001. The principal assumptions adopted were a discount rate of 7.50% and that medical costs would increase by 10% per annum, decreasing to 5% by 2007 and remaining at this rate thereafter.

The cost of providing health care and life insurance to retired US employees for the year ended 31 March 2002 amounted to £5.8m (2001: £7.3m)

Notes to the accounts

7. Pensions and post-retirement benefits (continued)

FRS 17 Retirement benefits

On 20 November 2000, the Accounting Standards Board introduced a new standard, FRS 17 "Retirement Benefits", replacing Statement of Standard Accounting Practice (SSAP) 24 "Accounting for Pension Costs". FRS 17 is fully effective for periods ending on or after 22 June 2003, though disclosures are required in the transitional period commencing with the year ended 31 March 2002. Initial disclosures showing the assets and liabilities of the scheme are set out below. These have been calculated using the projected unit method of valuation on the basis of the following assumptions.

Rate of increase in salaries	3.8% *
Rate of increase in pensions in payment and deferred pensions	2.9%
Discount rate	6.0%
Rate of increase in RPI	2.8%

* A promotional age related salary scale has also been used

The assets in the scheme and the expected rate of return were:

	Long term rate of return expected at 31 March 2002	Value at 31 March 2002 £m
Equities	7.8%	848.9
Bonds	5.3%	290.0
Property	6.3%	82.9
Other	3.8%	38.9
Total market value of assets		1260.7
Present value of scheme liabilities		(1,312.2)
Deficit in the scheme		(51.5)
Related deferred tax asset		15.5
Net pension liability		(36.0)

If the above amounts had been recognised in the financial statements, the group's net assets employed at 31 March 2002 would be as follows

	£m
Net assets employed excluding net SSAP24 pension liabilities	2,083.6
Net FRS17 pensions liabilities	(36.0)
Net assets employed including net FRS17 pension liabilities	2,047.6

The impact of the implementation of FRS17 on net assets employed, as shown above, would be reflected within the profit and loss account reserve.

8. Net interest

	2002 £m	2001 (restated) £m
Bank loans and overdrafts	69.7	118.0
Interest payable to Group undertakings	0.9	-
Other	213.2	232.1
Interest payable and similar charges	283.8	350.1
Interest capitalised	(25.5)	(20.7)
Interest payable and similar charges net of interest capitalised	258.3	329.4
Interest receivable from Group undertakings	(1.4)	-
Interest receivable and similar income	(66.1)	(112.9)
	190.8	216.5
Joint ventures (including exceptional net interest of £92.5m (2001: £nil), net of interest capitalised £10.1m (2001: £18.5m))	118.8	12.8
Associate	16.3	25.8
	325.9	255.1
Comprising:		
Net interest, excluding exceptional net interest	233.4	255.1
Exceptional net interest (note 4(e))	92.5	-
Net interest, including exceptional net interest	325.9	255.1

Interest on the funding attributable to assets in the course of construction was capitalised during the year at a rate of 6.2% (2001: 6.7%).

Interest payable and similar charges for 2001 includes £21.0m of losses arising from the valuation at maturity of US dollar interest rate swap options that provides an economic hedge against dollar borrowings, but which did not qualify as hedges for accounting purposes. Interest receivable and similar income for 2001 includes a £17.4m gain on closing out sterling fixed interest rate swaps that were originally entered into as hedges for sterling borrowings.

Notes to the accounts

9. Taxation

	2002	2001 (restated)
	£m	£m
United Kingdom		
- Corporation tax at 30% (2001: 30%)	24.9	(153.2)
- Adjustment to corporation tax in respect of prior years	(78.1)	(20.0)
- Deferred tax: timing differences	27.9	18.6
- Adjustment to deferred tax in respect of prior years	3.7	18.0
	(21.6)	(136.6)
Overseas		
- Corporate tax	55.6	26.7
- Adjustment to corporate tax in respect of prior years	1.4	-
- Deferred tax: timing differences	(29.1)	44.1
	27.9	70.8
	6.3	(65.8)
Joint ventures	5.9	4.2
Associate	(0.2)	8.3
	12.0	(53.3)
Comprising:		
Taxation - excluding exceptional items	44.0	182.1
Taxation - exceptional tax credit (note 4(f))	-	(229.5)
Taxation - relating to other exceptional items	(32.0)	(5.9)
	(32.0)	(235.4)
	12.0	(53.3)

A reconciliation of the UK corporation tax rate to the effective tax rate of the group is as follows:

	2002 (% of profit before taxation)	2001
UK corporation tax rate	30.0	30.0
Increase/(decrease) resulting from:		
Goodwill amortisation and other permanent differences	6.5	8.6
Unrelieved tax losses (including overseas)	7.0	11.9
Overseas income taxed at other than UK statutory rate	(8.8)	(7.4)
Other	(6.6)	3.0
Effective tax rate before adjustment in respect of prior years and exceptional items	28.1	46.1
Adjustment in respect of prior years	(17.5)	(0.5)
Effective tax rate after adjustment in respect of prior years and before exceptional items	10.6	45.6
Exceptional items	(6.8)	(54.2)
Effective tax rate after exceptional items	3.8	(8.6)

10. Dividends

	2002	2001
	£m	£m
Ordinary dividends		
- Interim paid on 15 January 2002 (2001: 15 January 2001)	95.6	89.5
- Interim paid on 31 January 2002	750.0	-
- Final dividend paid on 15 August 2001	-	133.5
	845.6	223.0

Notes to the accounts

11. Intangible fixed assets - goodwill

	Cost £m	Amortisation £m	Net book value £m
At 1 April 2001 (previously reported)	1,248.6	(62.4)	1,186.2
Prior year adjustment (note 1)	211.2	(11.2)	200.0
At 1 April 2001 (restated)	1,459.8	(73.6)	1,386.2
Exchange adjustments	10.2	(1.9)	8.3
Charge for the year	-	(59.8)	(59.8)
Disposal of group undertakings	(1,470.0)	135.3	(1,334.7)
At 31 March 2002	-	-	-

12. Tangible fixed assets

	Land and buildings £m	Plant and machinery £m	Assets in the course of construction £m	Motor vehicles and office equipment £m	Total £m
Cost at 1 April 2001	446.6	7,889.6	409.7	146.4	8,892.3
Exchange adjustments	2.2	25.6	0.2	-	28.0
Capital expenditure	2.8	6.9	526.9	8.2	544.8
Disposal of group undertakings	(299.2)	(3,353.8)	(53.3)	-	(3,706.3)
Other disposals	(4.9)	(54.9)	-	(20.1)	(79.9)
Reclassifications	8.5	416.7	(407.7)	(17.5)	-
Cost at 31 March 2002	156.0	4,930.1	475.8	117.0	5,678.9
Depreciation at 1 April 2001	148.0	3,044.0	-	83.0	3,275.0
Exchange adjustments	0.9	10.5	-	-	11.4
Charge for the year	6.3	249.2	-	20.7	276.2
Disposal of group undertakings	(129.7)	(1,354.5)	-	-	(1,484.2)
Other disposals	(2.0)	(53.4)	-	(15.2)	(70.6)
Reclassifications	-	5.6	-	(5.6)	-
Depreciation at 31 March 2002	23.5	1,901.4	-	82.9	2,007.8
Net book value at 31 March 2002	132.5	3,028.7	475.8	34.1	3,671.1
Net book value at 31 March 2001	298.6	4,845.6	409.7	63.4	5,617.3

The cost of tangible fixed assets at 31 March 2002 includes £306.0m (2001: £280.5m) relating to interest capitalised.

The net book value of land and buildings comprises:

	2002 £m	2001 £m
Freehold	97.7	262.5
Long leasehold (over 50 years)	28.9	30.0
Short leasehold (under 50 years)	5.9	6.1
	132.5	298.6

13. Fixed asset investments

	Group					Company Group undertakings
	Unlisted joint ventures	Loans	Listed associate	Shares held in parent undertaking	Other investments	Total
	Share of net assets		Share of net assets			
	£m	£m	£m	£m	£m	£m
At 1 April 2001 (previously reported)	335.4	64.9	414.9	10.2	134.9	960.3
Prior year adjustment (note 1)	(1.5)	-	(13.0)	-	-	(14.5)
At 1 April 2001 (restated)	333.9	64.9	401.9	10.2	134.9	945.8
Exchange adjustments	(33.8)	-	-	-	1.1	(32.7)
Additions	6.1	32.3	-	47.8	10.1	96.3
Transfers	10.4	(10.4)	-	-	-	-
Disposals of group undertakings	(33.0)	-	-	-	(144.0)	(177.0)
Other disposals	(5.4)	-	-	(12.3)	(2.0)	(19.7)
Share of retained loss	(157.8)	-	(31.3)	-	-	(189.1)
Transfer to provisions	37.3	-	-	-	-	37.3
Other movements	-	-	21.5	-	-	21.5
At 31 March 2002	157.7	86.8	392.1	45.7	0.1	682.4
Impairment at 1 April 2001	-	-	-	-	-	-
Charge for the year	129.3	84.9	392.1	-	-	606.3
Exchange adjustments	13.9	1.9	-	-	-	15.8
Impairment at 31 March 2002	143.2	86.8	392.1	-	-	622.1
Net book value at 31 March 2002	14.5	-	-	45.7	0.1	1,973.2
Net book value at 31 March 2001 (restated)	333.9	64.9	401.9	10.2	134.9	945.8

Group

The market value of the investment in the listed associate (Energis) at 31 March 2002 was £15.6m (2001: £1,579.4m).

The share of retained loss relating to joint ventures includes an exceptional interest charge of £92.5 million as described in note 4(e).

Shares held in parent undertaking at 31 March 2002 relate to 13.2m 10p ordinary shares in National Grid Group plc (formerly New National Grid plc), held by employee share trusts for the purpose of satisfying certain obligations under the various share option schemes operated by the Group. The carrying value of £45.7m (market value £81.3m) represents the exercise amounts receivable in respect of those shares which were issued at market value by the Company and cost in respect of those shares purchased in the open market. Funding is provided to the trusts by group undertakings. The trusts have waived their rights to dividends on these shares.

Own shares at 31 March 2001 relate to 5.9m 11 13/17p ordinary shares in the Company, held by employee share trusts for similar purposes. The carrying value of £10.2m (market value £31.9m) represented the exercise amounts receivable in respect of those shares which were issued at market value by the Company and cost in respect of those shares purchased in the open market.

Company

During the year ended 31 March 1999, the Company acquired all of the ordinary shares in National Grid Holdings Limited in exchange for all the shares then held by the Company in group undertakings which included The National Grid Company plc. The carrying value of the investment in National Grid Holdings Limited represents the value attributed to the initial investment in The National Grid Company plc, which was acquired for no consideration and was based on a pro forma net asset value at the date of acquisition, plus all additional investments at cost.

Principal Group undertakings

The principal Group undertakings included in the Group accounts at 31 March 2002 are listed below. These undertakings are wholly-owned and incorporated in Great Britain unless otherwise indicated.

	Principal activity
National Grid Holdings Ltd. (a)	Holding Company
The National Grid Company plc (b)	Transmission of electricity in England and Wales
NGG Telecoms Limited (b)	Investment company
NGG Telecoms Investment Limited (b)	Investment company
National Grid Four Limited (b)	Investment company
NG Investments Limited (Incorporated in Jersey) (b)	Investment company
National Grid International Limited (b)	Holding company
EnMO Limited (c)	Operator of energy exchanges
National Grid Insurance Limited (Incorporated in Guernsey) (b)	Insurance

(a) All of the issued ordinary share capital held by the Company.

(b) All of the issued ordinary share capital held by group undertakings.

(c) 75% of the issued ordinary share capital held by a group undertaking.

Principal joint ventures and associate

(at 31 March 2002)

	Group holding	Country of incorporation and operation	Principal activity
Compania Inversora En Transmision Electrica CITELEC S.A. (c)	42.5% ordinary shares	Argentina	Transmission of electricity
Copperbelt Energy Corporation Plc (c)	38.5% ordinary shares	Zambia	Transmission, distribution and supply of electricity
JVCO Participacoes Ltda (c)*	50.0% ordinary shares	Brazil	Telecommunications
Manquehue net S.A. (c)	30.0% ordinary shares	Chile	Telecommunications
Silica Networks S.A. (c)	50.0% ordinary shares	Chile	Telecommunications
Energis Polska Sp. z o.o. (c)	48.75% ordinary shares	Poland	Telecommunications
Energis plc (d)	32.5% ordinary shares	Great Britain	Telecommunications

* JVCO Participacoes Ltda is Intellig's ultimate parent undertaking.

The investments in the joint ventures (c) and associate (d) are held by group undertakings.

The group's holding of shares in Energis recorded in the table above represents the Energis shares held within fixed asset investments, but not those included within assets held for exchange (note 15). At 31 March 2002, 29.9m (2001: 29.9m) Energis shares (book value: £nil, market value: £0.8m), (2001: book value: £21.9m; market value: £83.5m) included within fixed asset investments, had been loaned to a financial institution under the terms of a stock lending agreement. This agreement provides for a fee to be paid to the group and the loan of shares is secured by an equivalent value of readily marketable securities.

A full list of subsidiary and associated undertakings is attached to the Company's Annual Return filed at Companies' House.

Notes to the accounts

14. Debtors

	Group 2002	Group 2001 (restated)	Company 2002	Company 2001
	£m	£m	£m	£m
Amounts falling due within one year:				
Trade debtors	102.0	379.9	-	-
Amounts owed by group undertakings	2,421.1	-	2,762.9	4,063.0
Amounts owed by an associate	21.9	10.5	-	-
Amounts owed by joint ventures	0.1	23.3	-	-
Regulatory assets	-	255.1	-	-
Prepayments and accrued income	66.9	115.8	-	3.3
Other debtors	28.1	95.8	2.8	-
	<u>2,640.1</u>	<u>880.4</u>	<u>2,765.7</u>	<u>4,066.3</u>
Amounts falling due after more than one year:				
Amounts owed by group undertakings	-	-	-	18.1
Amounts owed by an associate	40.3	45.1	-	-
Regulatory assets	-	978.8	-	-
Other debtors	5.1	30.0	2.2	-
	<u>45.4</u>	<u>1,053.9</u>	<u>2.2</u>	<u>18.1</u>
	<u>2,685.5</u>	<u>1,934.3</u>	<u>2,767.9</u>	<u>4,084.4</u>

The amounts owed by an associate include a net investment in a finance lease amounting to £44.6m (2001: £48.9m) comprising total rentals receivable of £65.2m (2001: £74.2m) less unearned income of £20.6m (2001: £25.3m), of which £4.3m (2001: £3.8m) falls due within one year and £40.3m (2001: £45.1m) falls due after more than one year. Rentals received and receivable in the year amounted to £9.0m (2001: £11.3m). At 31 March 2002, the minimum lease payments for each of the five years ending 31 March 2007 are £9.0m.

15. Assets held for exchange

The assets held for exchange of £16.6m (2001: £16.6m) represent the carrying value of 73.5m (2001: 73.5m) shares in Energis plc which are held to satisfy obligations under the 6% mandatorily exchangeable bonds 2003, as explained in note 19. The voting rights in respect of 61.0m (2001: 61.0m) of these shares are vested in the bondholders.

16. Creditors (amounts falling due within one year)

	Group 2002	Group 2001	Company 2002	Company 2001
	£m	£m	£m	£m
Borrowings (note 18)	392.6	1,008.7	247.5	760.9
Trade creditors and accruals	447.2	648.9	4.0	1.3
Amounts owed to group undertakings	423.7	-	2,190.4	1,871.1
Amounts owed to an associate	5.2	10.6	-	-
Amounts owed to a joint venture	-	2.1	-	-
Purchased power obligations	-	105.0	-	-
Corporate tax	20.6	16.2	-	-
Social security and other taxes	26.2	14.1	-	0.1
Proposed dividend	-	133.5	-	133.5
Other creditors	148.3	274.6	64.7	206.4
	<u>1,463.8</u>	<u>2,213.7</u>	<u>2,506.6</u>	<u>2,973.3</u>

Notes to the accounts

17. Creditors (amounts falling due after more than one year)

	Group 2002 £m	Group 2001 £m	Company 2002 £m	Company 2001 £m
Borrowings (note 18)	2,019.0	3,180.7	-	834.1
Purchased power obligations	-	448.5	-	-
Other creditors	42.1	126.3	18.6	-
	2,061.1	3,755.5	18.6	834.1

18. Borrowings

	Group 2002 £m	Group 2001 £m	Company 2002 £m	Company 2001 £m
Amounts falling due within one year:				
Bank loans and overdrafts	26.0	627.5	-	394.4
Zero coupon bonds 2002	26.2	-	-	-
6% mandatorily exchangeable bonds 2003	242.6	242.6	242.6	242.6
Commercial paper	29.9	107.3	-	-
Other loans	67.9	17.5	4.9	123.9
US senior notes	-	13.8	-	-
	392.6	1,008.7	247.5	760.9
Amounts falling due after more than one year:				
European Investment Bank Swiss franc loan 2004	245.8	237.0	-	-
8.0% bonds 2006	239.3	239.1	-	-
4.25% exchangeable bonds 2008	491.3	480.3	-	-
£200m 3.806% index linked bonds 2020	200.9	-	-	-
5.875% bonds 2024	443.9	443.6	-	-
£360m 6.5% bonds 2028	357.6	-	-	-
£40m 3.589% limited RPI Linked Bond 2030	40.2	-	-	-
US private placement notes 2003-2015	-	74.8	-	-
Pollution control revenue bonds 2018-2022	-	315.0	-	-
US Senior Notes	-	327.8	-	-
Tax exempt bonds 2002-2017	-	16.7	-	-
Other loans	-	24.7	-	-
Bank borrowings 2002-2004	-	995.5	-	834.1
Zero coupon bonds 2002	-	26.2	-	-
	2,019.0	3,180.7	-	834.1
Total borrowings	2,411.6	4,189.4	247.5	1,595.0

Amounts falling due after more than one year are repayable as follows:

In more than one year, but not more than two years	245.8	85.8	-	262.4
In more than two years, but not more than five years	239.3	1,561.7	-	571.7
In more than five years - by instalments	-	61.7	-	-
- other than by instalments	1,533.9	1,471.5	-	-
	2,019.0	3,180.7	-	834.1

At 31 March 2002, borrowings totalling £nil (2001: £348.6m) were secured by charges over property, plant and other assets of the group.

The interest rates shown above are those contracted on the underlying borrowing before taking into account interest rate and currency swaps.

In February 1999, the Company issued 14.7m Equity Plus Income Convertible Securities ("EPICs") in the form of 6% mandatorily exchangeable bonds 2003 ("exchangeable bonds") in the aggregate principal amount of US dollar 401.2m. The EPICs are exchangeable, subject to certain exceptions, on or prior to 26 April 2003 at the option of the holder of the bonds ("bondholders") into ordinary shares of Energis plc, an associated undertaking (note 15). If the EPICs are redeemed at the option of the bondholders prior to 3 May 2003, the Group will deliver 4.1665 Energis plc shares per EPICs. On 3 May 2003, the number of Energis plc shares to be delivered by the Group in respect of each EPICs is dependent upon the Energis plc share price at that date and ranges from a maximum of five, if the share price is £3.30 or less, to a minimum of 4.1665 if the share price is £3.96 or more.

In February 1998, a Group undertaking issued 4.25% exchangeable bonds 2008 in the aggregate principal amount of £460.0m ("the Bonds"). The Bonds are exchangeable on or prior to 8 February 2008 at the option of the holder, unless previously redeemed into ordinary shares of the Company's ultimate parent undertaking, National Grid Group plc, at the exchange price of 417p per ordinary share. After 17 February 2003, the Group has the right to redeem the Bonds at any time in whole (but not in part) at the principal amount outstanding, including any redemption premium. Unless earlier redeemed, exchanged or purchased, the Bonds will be redeemed on 17 February 2008 at their principal amount plus a premium (together the Redemption Price, being £1,209.31 per £1,000 principal amount of Bonds). When a bondholder elects to exchange bonds for ordinary shares, the Group has the option to pay an amount equal to the cash value of the ordinary shares that would otherwise have been issued by the Company's ultimate parent undertaking. For the purposes of the maturity analysis of borrowings shown above, early exchange of the Bonds has not been anticipated and the Bonds have been classified as repayable in more than five years.

Notes to the accounts

19. Financial instruments

A description of the policies relating to financial instruments is set out in the Directors' report. Short term debtors and creditors, where permitted by the financial reporting standard on derivatives and other financial instruments (FRS 13), have been excluded from the following disclosures, which relate to the group and are after taking into account interest rate and currency swaps where applicable. It is assumed that because of short maturities, the fair value of short term debtors and creditors approximate to their book values.

Currency and interest rate composition of financial liabilities

	Total £m	Variable rate £m	Fixed rate £m	Fixed rate liabilities	
				Weighted average interest rate %	Weighted average period for which rate is fixed Years
At 31 March 2002					
Sterling Borrowings	2,411.6	687.6	1,724.0	6.7	12.1
Other financial liabilities (sterling)	23.5	-	23.5	5.3	3.6
Other financial liabilities (US dollars)	45.3	45.3	-	-	-
Other financial liabilities (other)	0.3	0.3	-	-	-
	2,480.7	733.2	1,747.5	6.7	12.0
At 31 March 2001					
Sterling	539.6	(759.4)	1,299.0	6.92	4.6
US dollars	3,647.3	1,239.5	2,407.8	6.66	3.4
Other	2.5	2.5	-	-	-
Borrowings	4,189.4	482.6	3,706.8	6.94	4.8
Other financial liabilities (sterling)	30.4	-	30.4	5.34	4.6
Other financial liabilities (US dollars)	662.2	621.2	41.0	6.22	10.0
	4,882.0	1,103.8	3,778.2	6.92	4.8

* Excludes non-equity minority interests of Enil (2001: £20.0m) with no final repayment date.

At 31 March 2002, the weighted average interest rate on short term borrowings of £392.6m (2001: £1,008.7m) was 5.32% (2001: 5.9%).

Other US dollar financial liabilities predominantly relate to exchange translation of cross currency swaps of £45.3m (2001: £166.4m), purchased power obligations due after more than one year of Enil (2001: £448.5m) and non-equity minority interests of Enil (2001: £20.0m).

Substantially all of the variable rate borrowings are subject to interest rates which fluctuate with LIBOR for the appropriate currency at differing premiums or in the case of certain USA based companies, are based on the market rate for tax exempt commercial paper.

In calculating the weighted average number of years for which interest rates are fixed, swaps which are cancellable at the option of the swap provider are taken to have a life based on the earliest date at which they can be cancelled.

Currency and interest rate composition of financial assets

	Total £m	Non-interest bearing £m	Variable rate £m	Fixed rate £m	Fixed rate assets	
					Weighted average interest rate %	Weighted average period for which rate is fixed Years
At 31 March 2002						
Sterling	85.7	-	85.7	-	-	-
US dollars	3.0	-	3.0	-	-	-
Other currencies	2.5	-	2.5	-	-	-
Cash and deposits	91.2	-	91.2	-	-	-
Other financial assets (sterling)	61.2	16.6	-	44.6	11.5	4.1
Other financial assets (other currencies)	0.1	-	0.1	-	-	-
	152.5	16.6	91.3	44.6	11.5	4.1
At 31 March 2001						
Sterling	136.9	-	136.9	-	-	-
US dollars	131.6	-	131.6	-	-	-
Other currencies	2.7	-	2.7	-	-	-
Cash and deposits	271.2	-	271.2	-	-	-
Other financial assets (sterling)	65.5	16.6	-	48.9	11.50	4.8
Other financial assets (US dollar)	38.6	-	11.9	26.7	5.37	9.8
Other financial assets (other currencies)	4.9	-	4.9	-	-	-
	380.2	16.6	288.0	75.6	9.34	6.6

Other financial assets at 31 March 2002 predominantly relate to assets held for exchange of £16.6m (2001: £16.6m), a net investment in a finance lease of £44.6m (2001: £48.9m), fixed asset investments of Enil (2001: £38.6m). Cash and deposits earn interest at local prevailing rates for maturity periods generally not exceeding 12 months. The non-interest bearing assets held for exchange are expected to be realised on redemption of the 6% mandatorily exchangeable bonds 2003, as described in note 18.

Maturity of financial liabilities at 31 March	2002 £m	2001 £m
In one year or less	438.2	1,181.4
In more than one year, but not more than two years	253.2	191.6
In more than two years, but not more than three years	7.9	1,348.9
In more than three years, but not more than four years	247.5	130.4
In more than four years, but not more than five years	-	333.3
In more than five years	1,533.9	1,696.4
	2,480.7	4,882.0
Maturity of financial assets at 31 March	2002 £m	2001 £m
In one year or less	95.6	316.2
In more than one year, but not more than two years	4.8	6.2
In more than two years, but not more than three years	21.9	6.5
In more than three years, but not more than four years	5.9	6.2
In more than four years, but not more than five years	6.6	7.0
In more than five years	17.7	38.1
	152.5	380.2

Notes to the accounts

19. Financial instruments continued

Fair values of financial instruments at 31 March	2002		2001	
	Book value	Fair value	Book value	Fair value
	£m	£m	£m	£m
6% mandatorily exchangeable bonds 2003	(242.6)	(18.1)	(242.6)	(196.7)
Other short term debt	(150.0)	(136.5)	(766.1)	(768.7)
Exchangeable bonds 2008	(491.3)	(543.3)	(480.3)	(627.7)
Other long term debt	(1,527.7)	(1,519.1)	(2,700.4)	(2,704.8)
Total borrowings	(2,411.6)	(2,217.0)	(4,189.4)	(4,297.9)
Cash and deposits	91.2	91.2	271.2	271.2
Net borrowings	(2,320.4)	(2,125.8)	(3,918.2)	(4,026.7)
Other financial liabilities *	(23.5)	(20.8)	(519.9)	(516.3)
Net investment in finance lease	44.6	46.2	48.9	56.0
Assets held for exchange	16.6	16.6	16.6	205.1
Other financial assets	0.1	-	43.5	44.8
Net financial liabilities *	(2,282.6)	(2,083.8)	(4,329.1)	(4,237.1)
Financial instruments held to manage interest rate and currency profile:				
Interest rate swaps	-	(45.4)	(2.9)	(40.4)
Forward foreign currency contracts and cross currency swaps	(45.6)	(112.1)	(169.8)	(250.1)

* Excluding interest rate swaps £nil (2001: £2.9m), forward currency contracts £0.3m (2001: £3.4m), cross currency swaps £45.3m (2001: £166.4m).

Market values, where available, have been used to determine fair values. Where market values are not available, fair values have been calculated by discounting cash flows at prevailing interest rates.

The notional principal amounts relating to financial instruments held to manage interest rate and currency profile for interest rate swaps, foreign currency contracts and cross currency swaps, amounted to £2,126.0m (2001: £2,534.9m) and £868.1m (2001: £2,118.0m) respectively.

Gains and losses on hedges

	Gains £m	Losses £m	Net gain/(loss) £m
Unrecognised gains and (losses) on hedges at 1 April 2001	10.7	(128.5)	(117.8)
Losses arising in previous years recognised in the year	-	38.8	38.8
	10.7	(89.7)	(79.0)
Gains/(losses) arising in the year	4.9	(37.8)	(32.9)
Unrecognised gains and (losses) on hedges at 31 March 2002	15.6	(127.5)	(111.9)
Of which:			
Gains expected to be recognised in the next year	12.6	-	12.6
Gains and (losses) expected to be recognised in subsequent years	3.0	(127.5)	(124.5)

At 31 March 2002, within the £127.5m unrecognised loss there is an unrecognised loss of £55.9m for which there are offsetting gains of £51.0m on the related borrowings.

Borrowing facilities

At 31 March 2002, the group had committed credit facilities from syndicates of banks of £100.0m (2001: £2,510.5m) of which £100.0m (2001: £1,120.7m) was undrawn and of which £100.0m (2001: £816.9m) expires within one year, £nil (2001: £211.2m) expires after more than one year but less than two years, and £nil (2001: £92.6m) expires after more than two years.

Notes to the accounts

20. Provisions for liabilities and charges

	Decommissioning £m	Post-retirement benefits £m	Environmental £m	Deferred taxation £m	Associated undertakings £m	Other £m	Total provisions £m
At 1 April 2001 (previously reported)	146.1	149.7	52.4	147.3	-	0.3	495.8
Prior year adjustment (note 1)	-	-	-	1,025.2	-	-	1,025.2
At 1 April 2001 (restated)	146.1	149.7	52.4	1,172.5	-	0.3	1,521.0
Exchange adjustments	0.6	0.8	0.3	2.3	-	-	4.0
Additions	-	14.1	7.0	2.5	109.4	18.9	151.9
Disposal of group undertakings	(125.2)	(131.3)	(37.7)	(408.0)	-	-	(702.2)
Unused amounts reversed	(7.7)	-	-	-	-	(0.4)	(8.1)
Utilised	(13.8)	(22.5)	(7.4)	-	-	-	(43.7)
Transfer from fixed asset investments	-	-	-	-	37.3	-	37.3
Other movement	-	-	-	(13.8)	-	-	(13.8)
At 31 March 2002	-	10.8	14.6	755.5	146.7	18.8	946.4

The post-retirement benefits provision is in respect of pensions £10.8m (2001: £76.1m) and other post-retirement benefits (health care and life insurance) £nil (2001: £73.6m).

The environmental provision relates to estimated liabilities relating to uninsured events, principally of an environmental nature. The assessment of this liability is subject to periodic reviews, which may result in the amount being revised. It is currently estimated that substantially all of this provision will be utilised within the next five years.

The associated undertakings provision of £146.7m (2001: £nil) represents the recognition of obligations associated with the impairment of investments in joint ventures and associate amounting to £109.4m (2001: £nil) and the recognition of the net liabilities of a joint venture amounting to £37.3m (2001: £nil).

Deferred taxation comprises:

	Provided	
	2002 £m	2001 £m
Accelerated capital allowances	763.2	1,124.4
Other timing differences	(7.7)	48.1
	755.5	1,172.5

A deferred tax asset in respect of substantial capital losses has not been recognised because their future recovery is uncertain. The exact amount of these losses not recognised at 31 March 2002 is not yet quantified pending agreement of the amount with the relevant tax authorities.

21. Share capital

	Authorised		Allotted, called up and fully paid	
	millions	£m	millions	£m
Ordinary shares of 11 13/17 pence each				
At 31 March 2001	2,125.0	250.0	1,484.6	174.7
Issued during the year	-	-	1,512.2	177.9
Cancelled during the year	-	-	(1,498.4)	(176.3)
At 31 March 2002	2,125.0	250.0	1,498.4	176.3

At 31 March 2001: One £1 special rights non-voting redeemable preference share

On 31 January 2002, under a Scheme of Arrangement between the Company and its shareholders under section 425 of the Companies Act 1985, and sanctioned by the High Court on 25 January 2002, all of the issued shares in the Company, including the special share, were cancelled. Following the cancellation, the share capital of the Company was restored to its former nominal amount by applying the reserve arising as a result of the cancellation to pay up in full new shares equal in nominal value to the shares cancelled. One of the new shares was issued to National Grid Nominees Limited as nominees on behalf of National Grid Group. The remaining shares were issued to New National Grid plc (now renamed National Grid Group plc) which, as a result, became the new ultimate holding company of the National Grid Group.

The total consideration received by the Company in respect of shares issued during the year ended 31 March 2002 was £235.4m, of which £59.1m was received from employee share trusts, which represented contributions from Group undertakings. £176.3m of share capital was issued as part of the Scheme of Arrangement described above.

Following the Scheme of Arrangement, outstanding share options on share capital of the Company were converted into share options on share capital of National Grid Group plc.

22. Reserves

	Group			Company				
	Share premium account £m	Cancellation Reserve £m	Profit & loss account £m	Share premium account £m	Cancellation Reserve £m	Revaluation Reserve £m	Other Reserve £m	Profit & loss account £m
At 31 March 2001 (previously reported)	276.9	-	3,024.2	276.9	-	624.4	39.1	1,160.0
Prior year adjustment (note 1)	-	-	(802.3)	-	-	-	-	-
At 31 March 2001 (restated)	276.9	-	2,221.9	276.9	-	624.4	39.1	1,160.0
Exchange adjustments	-	-	(82.6)	-	-	-	-	-
Ordinary shares cancelled under Scheme of Arrangement	-	176.2	-	-	176.2	-	-	-
Ordinary shares issued under Scheme of Arrangement	-	(176.2)	-	-	(176.2)	-	-	-
Ordinary shares issued during the year under share option schemes	46.2	-	-	57.5	-	-	-	-
Tax on exchange adjustments	-	-	(6.5)	-	-	-	-	-
Transfer on issue of certain shares under share option schemes	11.3	-	(11.3)	-	-	-	-	-
Partial realisation of gain on sale of investment in a Group undertaking	-	-	-	-	-	-	(10.0)	10.0
Retained loss for the year	-	-	(551.8)	-	-	-	-	(115.3)
At 31 March 2002	334.4	-	1,569.7	334.4	-	624.4	29.1	1,054.7

The Company has not presented its own profit and loss account as permitted by section 230 of the Companies Act 1985. Of the group loss after taxation, a profit of £730.4m (2001: £25.7m) is attributable to the Company.

Notes to the accounts

23. Minority interests: non-equity

The non-equity minority interests of £20.0m as at 31 March 2001 comprise cumulative preference stock of subsidiaries that were sold to other Group undertakings during the year.

24. Reconciliation of movement in equity shareholders' funds

	2002	2001 (restated)
	£m	£m
Profit for the year	293.8	664.2
Dividends	(845.6)	(223.0)
	(551.8)	441.2
Issue of ordinary shares	224.1	0.9
Cancellation of shares	(176.3)	-
Exchange adjustments	(82.6)	(14.7)
Tax on exchange adjustments	(6.5)	31.9
Net (decrease)/increase in equity shareholders' funds	(593.1)	459.3
Equity shareholders' funds at start of year	2,673.5 *	2,214.2
Equity shareholders' funds at end of year	2,080.4	2,673.5

* Originally £3,475.8 (2001: £2,909.0m) before deducting prior year adjustment of £802.3m (2001: £694.8m)

25. Related party transactions

The Company is exempt from disclosing transactions with National Grid Group plc and other subsidiaries of that company by virtue of the fact that the voting rights of all these companies are held within the National Grid Group plc group.

Transactions with an associate and joint ventures, which were in the normal course of business, were as follows:

	2002 £m	2001 £m
Sales:		
Services supplied	32.6	46.5
Finance lease rentals	9.0	11.3
Purchases:		
Services received	48.8	26.3
Tangible fixed assets	2.7	-

Amounts owed by and owed to an associate and joint ventures are given in notes 14 and 16 respectively.

26. Commitments and contingencies

a) Future capital expenditure

	Group		Associate and joint ventures	
	2002 £m	2001 £m	2002 £m	2001 £m
Contracted for but not provided	337.4	396.8	26.2	90.1

Information in respect of the associate's "future capital expenditure contracted for but not provided" was not available at 31 March 2002. As a consequence, in respect of the position at 31 March 2002 only, the information provided above in respect of the share of associate and joint ventures' "future capital expenditure contracted for but not provided" solely relates to joint ventures.

b) Lease commitments

At 31 March 2002, the group's operating lease commitments for the financial year ending 31 March 2003 amounted to £2.5m (2001: £11.9m) and are analysed by lease expiry date as follows:

	Land and buildings		Other		Total	
	2002 £m	2001 £m	2002 £m	2001 £m	2002 £m	2001 £m
Within one year	0.1	0.1	-	1.1	0.1	1.2
Between two and five years	0.1	1.3	-	4.5	0.1	5.8
After five years	2.3	2.6	-	2.3	2.3	4.9
	2.5	4.0	-	7.9	2.5	11.9

c) Guarantees and performance bonds

A group undertaking has issued performance bonds in the ordinary course of business amounting to £40.6m (2001: £88.1m), of which £10.6m (2001: £58.3m) is in respect of a joint venture, and has issued guarantees in respect of an associate up to £14.1m (2001: £14.1m).

27. Cash flow statement

In accordance with FRS 1 (Revised 1996) Cash Flow Statements, no cash flow statement has been presented as the cash flows of the group have been included in the Group cash flow statement of National Grid Group plc.

28. Holding company

The Company's ultimate controlling and parent company is National Grid Group plc (formerly New National Grid plc), which is incorporated in Great Britain. Copies of this company's Report and Accounts can be obtained from: The Assistant Secretary, National Grid Group plc, 15 Marylebone Road, London, NW1 5JD.