

**NATIONAL GRID INTERNATIONAL LIMITED**

**REPORT OF THE DIRECTORS**

**AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2001**



**REGISTERED NUMBER: 2537092**

# **NATIONAL GRID INTERNATIONAL LIMITED**

## **REPORT OF THE DIRECTORS**

### **FOR THE YEAR ENDED 31 MARCH 2001**

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2001.

#### **PRINCIPAL ACTIVITY**

The Company is an investment company.

#### **RESULTS AND DIVIDENDS**

The loss after taxation for the financial year was £77,443,000 (2000: £12,669,000).

The directors do not recommend the payment of a dividend (2000: £nil).

#### **FUTURE DEVELOPMENTS**

The Company intends to follow its policy of operating as an investment company.

#### **DIRECTORS**

The directors of the Company during the year and subsequently were:

E M Astle	(Appointed 3 September 2001)
SJ Box	
CRA Carter	
W Gerretsen	(Deceased 19 October 2000)
SJ Holliday	(Appointed 30 March 2001)
DG Jefferies	(Resigned 30 June 2001)
DH Jones	(Resigned 31 March 2001)
SC Marshall	
RJ Urwin	(Appointed 30 March 2001)

**NATIONAL GRID INTERNATIONAL LIMITED**

**REPORT OF THE DIRECTORS (continued)**

**FOR THE YEAR ENDED 31 MARCH 2001**

**DIRECTORS' INTERESTS IN SHARES**

The interests of SJ Box, RJ Urwin and SJ Holliday in Group companies are disclosed in the accounts of the ultimate parent company, National Grid Group plc. The interests of the other directors as shown in the register maintained by the Company in accordance with Section 325 of the Companies Act 1985, were as follows:

**Ordinary shares in National Grid Group plc ("NGG")**

**Employee ShareSave options**

	<b>1 April 2000</b>	<b>Granted</b>	<b>Exercised</b>	<b>31 March 2001</b>
CRA Carter	11,815	-	-	11,815
DG Jefferies	-	-	-	-
SC Marshall	5,528	-	-	5,528

**Executive Share options**

	<b>1 April 2000</b>	<b>Granted</b>	<b>Exercised</b>	<b>31 March 2001</b>
CRA Carter	15,124	39,886	-	55,010
DG Jefferies	213,123	-	50,000	163,123
SC Marshall	76,411	16,933	-	93,344

**Beneficial interests in shares**

	<b>1 April 2000</b>	<b>31 March 2001</b>
CRA Carter	11,844	12,343*
DG Jefferies	359,498	359,543
SC Marshall	1,067	1,790*

\* Includes shares acquired under the NGG share matching 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 CRA Carter (662 shares) and SC Marshall (2,824 shares) in addition to the above.

**NATIONAL GRID INTERNATIONAL LIMITED**

**REPORT OF THE DIRECTORS (continued)**

**FOR THE YEAR ENDED 31 MARCH 2001**

**TRANSACTIONS WITH DIRECTORS**

None of the directors had a material interest in any contract of significance to which the Company was a party or made any transaction, arrangement or agreement within the provisions of Schedule 6 to the Companies Act 1985, during the year.

**DIRECTORS' RESPONSIBILITIES**

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

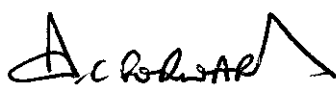
The directors are responsible for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They also have general responsibility for taking reasonable steps to safeguard the assets of the Company and for taking reasonable steps to prevent and detect fraud and other irregularities.

The directors consider that in preparing the financial statements, 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.

**AUDITORS**

The Company has taken advantage of the provisions of Section 379A of the Companies Act 1985 that enable a private company to dispense with the requirement to appoint auditors annually. Accordingly, PricewaterhouseCoopers will be deemed to remain in office until further notice.

**FOR THE BOARD**



**DC Forward**  
Secretary

30 May 2001

**REGISTERED OFFICE**

15 MARYLEBONE ROAD  
LONDON  
NW1 5JD

**NATIONAL GRID INTERNATIONAL LIMITED**  
**REPORT OF THE AUDITORS TO**  
**THE MEMBERS OF NATIONAL GRID INTERNATIONAL LIMITED**

We have audited the financial statements on pages 5 to 13.

**Respective responsibilities of directors and auditors**

The directors are responsible for preparing the Annual Report. As described on page 3, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

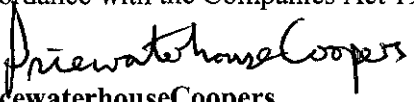
**Basis of audit opinion**

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 Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 March 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
**PricewaterhouseCoopers**  
Chartered Accountants and  
Registered Auditors  
London  
30 May 2001

**NATIONAL GRID INTERNATIONAL LIMITED**

**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 MARCH 2001**

	Notes	2001 £'000	2000 £'000
Operating costs		(47,230)	(15,797)
Other operating income		746	504
<b>Operating loss</b>	3	(46,484)	(15,293)
Income from shares in Group undertakings	4	8,522	-
Interest receivable	5	633	11
Amounts written off investments	7	(29,034)	-
Interest payable to Group undertakings		(14,547)	(1,033)
<b>Loss on ordinary activities before taxation</b>		(80,910)	(16,315)
Tax on loss on ordinary activities	6	3,467	3,646
<b>Loss on ordinary activities after taxation, being retained loss for the year</b>		<b>(77,443)</b>	<b>(12,669)</b>

The results reported above relate to continuing operations.

The Company has no recognised gains and losses other than the loss for the year stated above and therefore no separate statement of total recognised gains and losses has been presented.

**NATIONAL GRID INTERNATIONAL LIMITED**

**BALANCE SHEET**

**AT 31 MARCH 2001**

	<b>Notes</b>	<b>2001 £'000</b>	<b>2000 £'000</b>
<b>Fixed assets</b>			
Investments	7	758,433	129,790
<b>Current assets</b>			
Debtors	8	119,984	216,334
Investments	9	266,577	-
Cash at bank and in hand		1,735	100
		<hr/> 388,296	<hr/> 216,434
<b>Creditors: amounts falling due within one year</b>	10	(1,004,652)	(350,818)
<b>Net current liabilities</b>		<hr/> (616,356)	<hr/> (134,384)
<b>Total assets less current liabilities</b>		<hr/> 142,077	<hr/> (4,594)
<b>Creditors: amounts falling due after more than one year</b>	11	(18,125)	(27,611)
<b>Net assets/(liabilities)</b>		<hr/> <b>123,952</b>	<hr/> <b>(32,205)</b>
<b>Capital and reserves</b>			
Called up share capital	12	83,600	-
Share premium account	13	10,376	10,376
Profit and loss account	13	29,976	(42,581)
<b>Equity shareholders' funds</b>	14	<hr/> <b>123,952</b>	<hr/> <b>(32,205)</b>

The financial statements on pages 5 to 13 were approved by the board of directors on 30 May 2001 and signed on its behalf by:

**SJ Box**  
Director



# **NATIONAL GRID INTERNATIONAL LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2001**

### **1 Accounting policies**

#### **a) Basis of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting and financial reporting standards.

#### **b) Basis of preparation**

In accordance with Section 228 of the Companies Act 1985, the Company is exempt from preparing consolidated financial statements, as it is a wholly owned subsidiary of National Grid Holdings Limited and is included within the consolidated accounts of that company.

As permitted by Financial Reporting Standard 1 (Revised 1996), no cash flow statement has been presented as the cash flows of the Company have been included in the consolidated cash flow statement of National Grid Group plc.

#### **c) Investments**

Investments held as fixed assets are stated at cost less any provision for diminution in value. Investments held as current assets are foreign currency monetary assets and are retranslated at the exchange rate ruling at the balance sheet date.

#### **d) Foreign currencies**

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

#### **e) Other income**

Other income consists of consultancy costs recoverable from partners in specific projects.

#### **f) Dividends receivable**

Dividends received and receivable from Group undertakings are recognised in the profit and loss account in the period they are proposed or become payable.



**NATIONAL GRID INTERNATIONAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2001**

**2 Directors' emoluments**

The emoluments of the directors are paid by a group undertaking and are deemed by them to be wholly attributable to their services to that undertaking. Accordingly, no details in respect of their emoluments have been included in these financial statements.

**3 Operating loss**

	2001 £'000	2000 £'000
Operating loss is stated after charging:		
Audit fees	6	5
(Loss)/gain on foreign exchange	(30,347)	111
	<hr/>	<hr/>

**4 Income from shares in Group undertakings**

Income from shares in Group undertakings comprises dividends receivable from National Grid Overseas Limited and National Grid Seven Limited.

**5 Interest receivable**

	2001 £'000	2000 £'000
Interest receivable on external deposits	6	8
Interest receivable from a Group undertaking	627	3
	<hr/>	<hr/>
	633	11
	<hr/>	<hr/>

**6 Taxation**

	2001 £'000	2000 £'000
Amounts receivable from Group undertakings in respect of group relief	3,467	3,646
	<hr/>	<hr/>

Tax losses of £11,600,000 (2000 : £12,152,000) have been generated in the year to 31 March 2001 which will be made available to other Group companies as group relief for consideration of £3,467,000 (2000: £3,646,000).

**NATIONAL GRID INTERNATIONAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2001**

**7 Fixed asset investments**

	<b>Shares in Group Undertakings £'000</b>
<b>Cost</b>	
At 1 April 2000	129,790
Additions	657,677
<b>At 31 March 2001</b>	<u>787,467</u>
<b>Provision</b>	
Impairment during the year	(29,034)
<b>At 31 March 2001</b>	<u>(29,034)</u>
<b>Net book value</b>	
<b>At 31 March 2001</b>	<u>758,433</u>
At 31 March 2000	<u>129,790</u>

Additions include an amount of £29,034,000 in respect of a capital contribution made as a loan to Teldata International Limited.

The shares in Group undertakings shown as fixed asset investments at 31 March 2001 relate to ordinary shares in the following companies:

	<b>Country of Incorporation</b>
Grid Investment Holdings Limited	Great Britain
National Grid (Isle of Man) Limited	Isle of Man
NG US I Inc	USA
National Grid Australia GP Pty Limited	Australia
National Grid Australia LLP	Australia
National Grid Indus BV	The Netherlands
National Grid Overseas Limited	Great Britain
NG Procurement Holdings Limited	Great Britain
National Grid Seven Limited	Great Britain
NGC Indus Limited	Great Britain
NGC Zambia Limited	Great Britain
Original Basslink Pty Limited	Australia
Teldata International Limited	Great Britain
The Electricity Transmission Company Limited	Great Britain

All of these undertakings are wholly owned with the exception of National Grid Australia LLP, where the company holds 99% of the ordinary shares. The principal activity of these companies is as investment companies.

**NATIONAL GRID INTERNATIONAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2001**

**8 Debtors**

	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
Amounts owed by Group undertakings	90,581	213,025
Amount owed by joint venture undertaking	28,089	152
Other debtors	1,314	3,157
	<u>119,984</u>	<u>216,334</u>

During the year, the Company made loans on behalf of National Grid Poland BV totalling PLN 162,195,000 to Energis Polska Sp.z o.o, a joint venture undertaking within the National Grid Group of companies. At 31 March 2001, the total amount outstanding in respect of these loans was £28,089,000 (2000: £152,000).

**9 Current asset investment**

The Company's current asset investment consists of an investment in redeemable preference shares of National Grid Overseas Limited, a subsidiary undertaking. The rights of the preference shares are such that the final proceeds receivable on redemption are always equal to JPY 47,493,420,000. The investment is therefore accounted for as a monetary asset and retranslated at the exchange rate ruling at the balance sheet date, with any foreign exchange gains or losses recognised in the profit and loss account.

**10 Creditors: amounts due within one year**

	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
Amounts owed to Group undertakings	1,004,345	350,536
Other creditors including taxation and social security	307	282
	<u>1,004,652</u>	<u>350,818</u>

**NATIONAL GRID INTERNATIONAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2001**

**11 Creditors: amounts falling due after one year**

	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
Amounts owed to Group undertakings	-	10,639
Convertible debt	18,125	16,972
	<u>18,125</u>	<u>27,611</u>

The Company has issued discounted unsecured convertible redeemable loan stock to National Grid Group plc. The loan stock may be converted at the holder's option on or after 18 January 2009 into fully paid preference shares of £1 each at the rate of one preference share for every £1 nominal amount of loan stock. The loan stock may be redeemed at the holder's option on 18 January 2004 at the rate of £73.05 for every £100 nominal amount of loan stock or on or after 18 January 2009 at par.

The total nominal value of the loan stock issued at a discount is £29,400,000. The finance cost charged in the profit and loss account comprises the proportion of the discount that relates to the financial year.

**12 Share capital**

	<b>2001</b>	<b>2000</b>
	<b>£</b>	<b>£</b>
<b>Authorised</b>		
200,000,100 ordinary shares of £1 each	200,000,100	100
29,400,000 preference shares of £1 each	29,400,000	29,400,000
	<u>229,400,100</u>	<u>29,400,100</u>
<b>Allotted, called up and fully paid</b>		
83,600,100 ordinary shares of £1 each	<u>83,600,100</u>	<u>100</u>

The Company issued 83,600,000 £1 ordinary shares during the year at par for cash consideration.

**NATIONAL GRID INTERNATIONAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2001**

**13 Reserves**

	<b>Share premium</b>	<b>Profit and loss account</b>
	<b>£'000</b>	<b>£'000</b>
At 1 April 2000	10,376	(42,581)
Loss for the year	-	(77,443)
Capital contribution	-	150,000
<b>At 31 March 2001</b>	<u>10,376</u>	<u>29,976</u>

The capital contribution was received from National Grid Five Limited and forms part of the Company's distributable reserves.

**14 Reconciliation of movements in equity shareholders' funds**

	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
Loss on ordinary activities after taxation	(77,443)	(12,669)
Capital contribution	150,000	-
Issue of equity shares	83,600	-
Net increase/(decrease) in equity shareholders' funds	<u>156,157</u>	<u>(12,669)</u>
Opening equity shareholders' funds	(32,205)	(19,536)
<b>Closing equity shareholders' funds</b>	<u><b>123,952</b></u>	<u><b>(32,205)</b></u>

**NATIONAL GRID INTERNATIONAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2001**

**15 Related party transactions and ultimate parent company**

The Company is exempt from disclosing transactions with those companies within the National Grid Group of companies where all of the voting rights are held within the group. Transactions with related parties where not all of the voting rights are held within the National Grid Group of companies are shown in note 8.

The ultimate parent and controlling company is National Grid Group plc and the intermediate parent company for which consolidated financial statements are prepared is National Grid Holdings Limited. Both companies are incorporated in Great Britain.

Copies of their consolidated financial statements of National Grid Group plc can be obtained from the Assistant Company Secretary, National Grid Group plc, 15 Marylebone Road, London, NW1 5JD.