

**NATIONAL GRID INTERNATIONAL LIMITED**

**REPORT OF THE DIRECTORS**

**AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2003**



**REGISTERED NUMBER: 2537092**

# **NATIONAL GRID INTERNATIONAL LIMITED**

## **REPORT OF THE DIRECTORS**

### **FOR THE YEAR ENDED 31 MARCH 2003**

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2003.

#### **PRINCIPAL ACTIVITY**

The Company is an investment company.

#### **RESULTS AND DIVIDENDS**

The loss after taxation for the financial year was £431,427,000 (2002: £577,979,000).

The directors do not recommend the payment of a dividend (2002: £nil).

#### **FUTURE DEVELOPMENTS**

The Company will continue to operate as an investment company for the foreseeable future.

#### **DIRECTORS**

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

E M Astle	
SJ Box	(Resigned 30 November 2002)
CRA Carter	(Resigned 29 November 2002)
SJ Holliday	
SC Marshall	
RJ Urwin	
CJL Spencer	(Appointed 8 November 2002)
AB Chapman	(Appointed 17 December 2002)
MC Cooper	(Appointed 17 December 2002)
SC Lucas	(Appointed 8 November 2002)

**NATIONAL GRID INTERNATIONAL LIMITED**

**REPORT OF THE DIRECTORS (continued)**

**FOR THE YEAR ENDED 31 MARCH 2003**

**DIRECTORS' INTERESTS IN SHARES**

The interests of RJ Urwin, EM Astle, SJ Holliday and SC Lucas in Group companies are disclosed in the accounts of the ultimate parent company, National Grid Transco 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 Transco plc (which from 1 April 2002 to 21 October 2002 was National Grid Group plc)**

**Employee ShareSave options**

	<b>1 April 2002 or later date of appointment</b>	<b>Granted</b>	<b>Exercised</b>	<b>31 March 2003</b>
SC Marshall	5,528	-	-	5,528
CJL Spencer	2,366	-	-	2,366
AB Chapman	5,007	-	-	5,007
MC Cooper	5,362	-	-	5,362

**Executive Share options**

	<b>1 April 2002 or later date of appointment</b>	<b>Granted</b>	<b>Exercised</b>	<b>31 March 2003</b>
SC Marshall	121,763	34,890	-	156,653
CJL Spencer	90,690	-	-	90,690
AB Chapman	86,413	-	-	86,413
MC Cooper	17,501	-	-	17,501

# **NATIONAL GRID INTERNATIONAL LIMITED**

## **REPORT OF THE DIRECTORS (continued)**

**FOR THE YEAR ENDED 31 MARCH 2003**

### **DIRECTORS' INTERESTS IN SHARES (continued)**

#### **Beneficial interests in shares\***

	<b>1 April 2002 or later date of appointment</b>	<b>31 March 2003</b>
SC Marshall	3,354	12,643
CJL Spencer	14,059	14,059
AB Chapman	10,859	10,859
MC Cooper	49,032	49,032

\*Note: 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 AB Chapman (on appointment and at 31 March 2003: 2,925 shares), CLJ Spencer (on appointment and at 31 March 2003: 3,616 shares) and SC Marshall (5,116 shares (2002: 7,940 shares)) in addition to the above.

All the above interests at 31 March 2003 relate to Ordinary shares of 10p each in National Grid Transco plc, which the directors consider to be the ultimate holding company.

### **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.

**NATIONAL GRID INTERNATIONAL LIMITED**

**REPORT OF THE DIRECTORS (continued)**

**FOR THE YEAR ENDED 31 MARCH 2003**

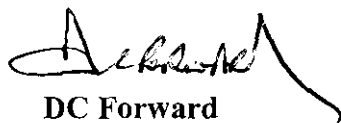
**AUDITORS**

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 11 March 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. The company had previously 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 LLP will be deemed to remain in office until further notice.


**FOR THE BOARD**

**REGISTERED OFFICE**

1-3 THE STRAND  
LONDON  
WC2N 5EH



**DC Forward**  
Secretary  
1 December 2003



# **NATIONAL GRID INTERNATIONAL LIMITED**

## **INDEPENDENT AUDITORS REPORT TO**

### **THE MEMBERS OF NATIONAL GRID INTERNATIONAL LIMITED**

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

#### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and 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. The other information comprises only the directors' report.

#### **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.

**NATIONAL GRID INTERNATIONAL LIMITED**

**INDEPENDENT AUDITORS REPORT TO**

**THE MEMBERS OF NATIONAL GRID INTERNATIONAL LIMITED (continued)**

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers LLP*

**PricewaterhouseCoopers LLP**  
Chartered Accountants and Registered Auditors  
London  
1 December 2003

**NATIONAL GRID INTERNATIONAL LIMITED**

**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 MARCH 2003**

	Notes	2003 £'000	2002 £'000
Operating costs		(16,411)	(15,539)
<b>Operating loss</b>	3	(16,411)	(15,539)
Income from shares in a Group undertaking	4	123	2,326
Interest receivable	5	1,191	2,510
Amounts written off investments		(395,330)	(542,655)
Interest payable to Group undertakings		(35,207)	(40,328)
<b>Loss on ordinary activities before taxation</b>		(445,634)	(593,686)
Taxation	6	14,207	15,707
<b>Loss on ordinary activities after taxation, being for the year and transferred from reserves</b>	13	<b>(431,427)</b>	<b>(577,979)</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.



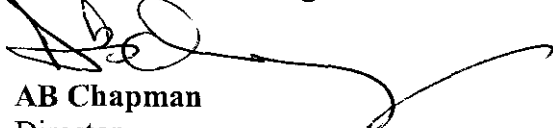
# NATIONAL GRID INTERNATIONAL LIMITED

## BALANCE SHEET

AT 31 MARCH 2003

	Notes	2003 £'000	2002 £'000
<b>Fixed assets</b>			
Tangible fixed assets	7	3,319	-
Investments	8	135,308	492,455
		<u>138,627</u>	<u>492,455</u>
<b>Current assets</b>			
Debtors	9	104,564	103,732
Cash at bank		112	110
		<u>104,676</u>	<u>103,842</u>
<b>Creditors: amounts falling due within one year</b>	10	(1,128,757)	(1,030,971)
		<u>(1,024,081)</u>	<u>(927,129)</u>
<b>Net current liabilities</b>			
		<u>(885,454)</u>	<u>(434,674)</u>
<b>Total assets less current liabilities</b>			
<b>Creditors: amounts falling due after more than one year</b>	11	-	(19,353)
		<u>(885,454)</u>	<u>(454,027)</u>
<b>Net liabilities employed</b>			
		<u>(885,454)</u>	<u>(454,027)</u>
<b>Capital and reserves</b>			
Called up share capital	12	83,600	83,600
Share premium account	13	10,376	10,376
Profit and loss account	13	(979,430)	(548,003)
		<u>(885,454)</u>	<u>(454,027)</u>
<b>Equity shareholders' funds</b>	14		
		<u>(885,454)</u>	<u>(454,027)</u>

The financial statements on pages 7 to 15 were approved by the board of directors on 1 December 2003 and signed on its behalf by:

  
**AB Chapman**  
 Director

# **NATIONAL GRID INTERNATIONAL LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1 Accounting policies**

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

The financial statements have been prepared under the historical cost convention and the accounting policies set out below 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 Transco plc.

#### **c) Tangible fixed assets**

Tangible fixed assets are included in the balance sheet at their costs. Additions represent the construction of new assets, prior to their transfer to another group company. No depreciation is provided.

#### **d) Investments**

Investments held as fixed assets are stated at cost less any provision for impairment. Impairments are calculated such that the carrying value of the fixed asset investment is the lower of its cost or recoverable amount. Recoverable amount is the higher of its net realisable value and its value in use.

#### **e) 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 exchange differences are dealt with in the profit and loss account.

#### **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)

### 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 costs

	Year ended 31 March 2003 £'000	Year ended 31 March 2002 £'000
Operating costs include:		
Audit fees	-	6
Amounts written off loans with Group undertaking	-	45
Loss on foreign exchange on transactions with Group undertakings	9,954	2,390

Audit fees are borne by the ultimate parent undertaking.

### 4 Income from shares in a Group undertaking

Income from shares in a Group undertaking comprises dividends receivable from Teldata International Limited.

### 5 Interest receivable

	Year ended 31 March 2003 £'000	Year ended 31 March 2002 £'000
Interest receivable on external deposits	1	4
Interest receivable from a Group undertaking	1,190	2,506
	<u>1,191</u>	<u>2,510</u>

# NATIONAL GRID INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 6 Taxation

	Year ended 31 March 2003 £'000	Year ended 31 March 2002 £'000
Amounts receivable from Group undertakings in respect of group relief	14,207	15,707

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

	%	%
UK corporate tax rate	30.0	30.0
Increase/(decrease) resulting from:		
Permanent differences	(0.2)	(0.2)
Foreign exchange gains and losses	-	0.1
Non taxable income	-	0.1
Amounts written off investments	(26.6)	(27.4)
	<u>3.2</u>	<u>2.6</u>

The Company has surrendered tax losses of £47,355,000 (2002: £52,357,000) to other Group companies for consideration of £14,207,000 (2002: £15,707,000).

### 7 Tangible fixed assets

	Assets in the course of construction £'000
<b>Cost</b>	
At 1 April 2002	-
Additions	3,319
At 31 March 2003	<u>3,319</u>
<b>Net book value</b>	
At 31 March 2003	<u>3,319</u>
At 31 March 2002	<u>-</u>

# NATIONAL GRID INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 8 Fixed asset investments

	Shares in Group undertakings £'000
<b>Cost</b>	
At 1 April 2002	1,064,144
Additions	38,229
Disposals	(46)
At 31 March 2003	<u>1,102,327</u>
<b>Provision</b>	
At 1 April 2002	571,689
Impairment during the year	395,330
At 31 March 2003	<u>967,019</u>
<b>Net book value</b>	
<b>At 31 March 2003</b>	<u><b>135,308</b></u>
At 31 March 2002	<u><u>492,455</u></u>

The principal fixed asset investments at 31 March 2003 relate to shares in the following companies:

	Type of share	Country of Incorporation
National Grid Australia LLP	Partnership capital	Australia
National Grid Indus BV	Ordinary	The Netherlands
National Grid Overseas Limited	Ordinary	Great Britain
National Grid Seven Limited	Ordinary	Great Britain
NGC Indus Limited	Ordinary	Great Britain
NGC Zambia Limited	Ordinary	Great Britain
The Electricity Transmission Company Limited	Ordinary	Great Britain

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

# NATIONAL GRID INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 9 Debtors

	At 31 March 2003 £'000	At 31 March 2002 £'000
Amounts owed by Group undertakings	104,339	103,064
Other debtors	225	668
	<u>104,564</u>	<u>103,732</u>

### 10 Creditors: amounts falling due within one year

	At 31 March 2003 £'000	At 31 March 2002 £'000
Bank borrowings	18,875	19,536
Convertible redeemable loan stock (see note 11)	20,428	-
Amounts owed to Group undertakings	1,089,453	1,011,366
Other creditors	1	69
	<u>1,128,757</u>	<u>1,030,971</u>

### 11 Creditors: amounts falling due after more than one year

	At 31 March 2003 £'000	At 31 March 2002 £'000
Convertible redeemable loan stock	-	19,353

Convertible redeemable loan stock with a nominal value of £29,400,000 was issued at a discount. It 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 finance cost charged in the profit and loss account (included within interest payable) comprises the proportion that relates to the financial year of the total discount amounting to £13,711,000 allocated on a straight line basis over the life of the loan stock.

# NATIONAL GRID INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 12 Share capital

	At 31 March 2003 and 31 March 2002 £'000
<b>Authorised</b>	
200,000,100 ordinary shares of £1 each	200,000
29,400,000 preference shares of £1 each	29,400
	<u>229,400</u>
<b>Allotted, called up and fully paid</b>	
83,600,100 ordinary shares of £1 each	<u>83,600</u>

### 13 Reserves

	Share premium account £'000	Profit and loss account £'000
At 1 April 2002	10,376	(548,003)
Loss for the year transferred from reserves	-	(431,427)
<b>At 31 March 2003</b>	<u>10,376</u>	<u>(979,430)</u>

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

	Year ended 31 March 2003 £'000	Year ended 31 March 2002 £'000
Loss on ordinary activities after taxation	(431,427)	(577,979)
Net decrease in equity shareholders' funds	(431,427)	(577,979)
Opening equity shareholders' funds	(454,027)	123,952
<b>Closing equity shareholders' funds</b>	<u>(885,454)</u>	<u>(454,027)</u>

## **NATIONAL GRID INTERNATIONAL LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

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

The Company is exempt from disclosing transactions with those companies within the National Grid Transco 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 Transco group of companies are shown in note 8.

The ultimate parent and controlling company is National Grid Transco plc and the immediate parent company is National Grid Five Limited. The smallest controlling company for which consolidated financial statements are prepared is National Grid Holdings Limited. All of these companies are incorporated in Great Britain.

Copies of their consolidated financial statements of National Grid Transco plc can be obtained from the Assistant Company Secretary, National Grid Transco plc, 1-3 The Strand, London WC2N 5EH.