

NATIONAL GRID INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS

AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1999



REGISTERED NUMBER: 2537092

NATIONAL GRID INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MARCH 1999

The directors present their report and the audited financial statements of the company for the year ended 31 March 1999.

PRINCIPAL ACTIVITY

The company is an investment company.

REVIEW OF THE YEAR

The company has sought opportunities for overseas equity investments. During the year the company acquired an investment in National Grid (USA) Inc. for a cost of £46,000. On 30 March 1999, the company also acquired the shares in The Electricity Transmission Company Ltd, NGC Zambia Ltd and NGC Indus Ltd for a total cost of £88,557,717. Furthermore, the company acquired 100 £1 ordinary shares, issued in the year by National Grid Overseas Ltd, for a premium of £263,093 per share.

The shares in the company were transferred from The National Grid Company plc to The National Grid Group plc on 25 September 1998, and subsequently to National Grid Holdings Ltd on 25 March 1999.

FUTURE DEVELOPMENTS

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

RESULTS AND DIVIDENDS

The loss before and after taxation for the financial year was £2,121,000 (1998 : £11,993,300).

The directors do not recommend the payment of a dividend (1998: £nil).

DIRECTORS

The directors of the company during the year were:

S J Box	
D H Elsey	(resigned 23/9/98)
A Matthews	(resigned 23/9/98)
A E Marks	(resigned 23/9/98)
D Jones	(appointed 23/9/98)
W Gerretsen	(appointed 23/9/98)
S Marshall	(appointed 23/9/98)

NATIONAL GRID INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MARCH 1999 (continued)

DIRECTORS' INTERESTS IN SHARES

The interests of Mr D H Jones, Mr S J Box and Mr W Gerretsen in group companies are disclosed in the accounts of the ultimate parent company, The National Grid Group plc. The interests of Mr S C Marshall were as follows:

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

Employee ShareSave options

	On appointment	Granted	Exercised	31 March 1999
S C Marshall	5,528	-	-	5,528

Executive Share options

	On appointment	Granted	Exercised	31 March 1999
S C Marshall	60,212	-	-	60,212

Beneficial interests in shares

	On appointment	31 March 1999
S C Marshall	294 *	294*

* Includes shares acquired under the NGG share matching scheme. Subject to retention of the shares acquired in accordance with the rules of the scheme, a matching award of new NGG Ordinary shares would be exercisable by Mr S C Marshall (490 shares) in addition to the above.

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.

NATIONAL GRID INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MARCH 1999 (continued)

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 and that the statements have been prepared on the going concern basis.

YEAR 2000

The nature and activities of the business are such that it is not dependent on computerised systems and therefore does not have Year 2000 date change issues to address.

AUDITORS

Our auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998 following which Coopers & Lybrand resigned and the company appointed the new firm, PricewaterhouseCoopers as auditors.


NATIONAL GRID INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MARCH 1999 (continued)

During the year the company took 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



D C Forward
Secretary

24 May 1999

REGISTERED OFFICE

185 PARK STREET
LONDON
SE1 9DY

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

We have audited the financial statements on pages 6 to 11.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 3 the financial statements. Our responsibilities, as independent auditors, are established 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 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 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 1999 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
24 May 1999

NATIONAL GRID INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 1999

		1999	1998
	Note	£'000	£'000
Operating costs	2	(10,205)	(13,641)
Gain on foreign exchange		461	-
		<hr/>	<hr/>
Operating loss		(9,744)	(13,641)
Income from shares in group undertaking	3	5,586	1,642
Other interest receivable and similar income	4	73	6
Other interest payable and similar charges	5	(201)	-
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(4,286)	(11,993)
Tax on loss on ordinary activities	7	2,165	-
		<hr/>	<hr/>
Loss on ordinary activities after taxation	13	(2,121)	(11,993)
		<hr/> <hr/>	<hr/> <hr/>

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

There is no difference between the loss on ordinary activities before taxation and the loss on ordinary activities after taxation for the year stated above, and the historical cost equivalents.

All figures relate to continuing operations.

NATIONAL GRID INTERNATIONAL LIMITED

BALANCE SHEET

AT 31 MARCH 1999

	Note	1999 £'000	1998 £'000
Fixed assets			
Investments	8	125,290	10,377
		<hr/>	<hr/>
Current assets			
Investment	9	95	95
Amounts owed by group undertakings	10	93,173	1,997
		<hr/>	<hr/>
		93,268	2,092
Current liabilities			
Accruals		-	(420)
Amounts owed to group undertaking	11	(238,094)	(29,464)
		<hr/>	<hr/>
Net current liabilities		(144,826)	(27,792)
		<hr/>	<hr/>
Net liabilities		(19,536)	(17,415)
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	12	-	-
Share premium account	13	10,376	10,376
Profit and loss account	13	(29,912)	(27,791)
		<hr/>	<hr/>
Equity shareholders' funds	14	(19,536)	(17,415)
		<hr/>	<hr/>

The financial statements on pages 6 to 11 were approved by the board of directors on 24 May 1999 and signed on its behalf by:


S J Box
 Director

NATIONAL GRID INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1999

1 Accounting policies

a) Accounting convention

The financial statements have been prepared under the historical cost convention.

b) Basis of preparation

The financial statements have been prepared in accordance with applicable accounting and financial reporting standards in the United Kingdom.

In accordance with s228 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 Ltd and is included within the consolidated accounts of the National Grid Group plc.

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 The National Grid Group plc.

c) Fixed asset investments

The fixed asset investments are stated at cost.

d) Foreign currencies

The assets and liabilities in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year. Exchange gains or losses arising from the retranslation of the investment and foreign currency borrowings are taken to reserves. All other exchange differences arising on transactions are taken to the profit and loss account in the year to which they relate.

2 Operating costs

Operating costs represent charges made by The National Grid Company plc relating to potential business ventures.

3 Income from shares in group undertaking

Income from shares in group undertaking consists of dividends received and receivable from NGC Indus Ltd, NGC Zambia Ltd and The Electricity Transmission Company Ltd.

NATIONAL GRID INTERNATIONAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 1999

4 Other interest receivable and similar income

	£'000
Interest received/receivable on £100,000 nominal 6% Treasury stock 1999 (see note 9)	6
Interest received/receivable from group undertakings	67
	<hr/>
	73
	<hr/>

5 Other interest payable and similar charges

This amount relates entirely to amounts payable to group undertakings.

6 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.

7 Taxation

Tax losses of approximately £7.0 million (1998: £12.0 million) have been generated in the year to 31 March 1999 which will be made available to The National Grid Company plc as group relief for consideration of £2,165,000 (1998: £nil).

8 Fixed asset investments

Shares in subsidiary undertakings

Cost	£'000
At 1 April 1998	10,377
Additions	114,913
	<hr/>
At 31 March 1999	125,290
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NATIONAL GRID INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 1999

The investments relate to ordinary shares in National Grid (USA) Inc, National Grid Overseas Ltd, The Electricity Transmission Company Ltd, NGC Zambia Ltd, NGC Indus Ltd, National Grid (Isle of Man) Ltd, Teldata International Ltd and Grid Investment Holdings Ltd. With the exception of National Grid (USA) Inc., these companies are undertakings incorporated in Great Britain. The principal activity of these companies is as investment companies.

9 Current asset investment

The current asset investment comprises £100,000 nominal, 6% Treasury stock 1999, listed on the London Stock Exchange with a cost of £95,300 (1998: £95,300) and a market value of £100,433 (1998: £99,100).

10 Amounts owed by group undertakings

Amounts owed by group undertakings represent intercompany loans and dividends receivable.

11 Amounts owed to group undertakings

Amounts owed to group undertakings represent intercompany loans payable.

12 Share capital

Authorised, allotted, called up and fully paid share capital: 100 (1998:100) ordinary shares of £1 each.

13 Reserves

	Share premium account	Profit and loss account
	£'000	£'000
At 1 April 1998	10,376	(27,791)
Movements in the year	-	(2,121)
At 31 March 1999	10,376	(29,912)

NATIONAL GRID INTERNATIONAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 1999

14 Reconciliation of movements in equity shareholders' funds

	1999	1998
	£'000	£'000
Opening equity shareholders' funds	(17,415)	(5,422)
Loss for the financial year	(2,121)	(11,993)
	<hr/>	<hr/>
Closing equity shareholders' funds	(19,536)	(17,415)
	<hr/>	<hr/>

15 Related party transactions and ultimate parent company

The company is exempt from disclosing transactions with other companies within the National Grid Group of companies as the voting rights of all companies are held within the group.

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

Copies of the consolidated financial statements of The National Grid Group plc can be obtained from the Assistant Company Secretary, The National Grid Group plc, 185 Park Street, London, SE1 9DY.