

NATIONAL GRID GOLD LIMITED
REPORT OF THE DIRECTORS
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2003

REGISTERED NUMBER: 3894139



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NATIONAL GRID GOLD 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 profit for the year after taxation was £13,000 (2002: loss of £86,000). No dividends were paid during the year (2002: £nil) and the Directors do not recommend payment of a final dividend (2002: £nil). The Company made no appropriations in respect of preference shares during the year (2002: £57,596,000).

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 were:

SJ Box	(Resigned 30 November 2002)
MD O'Donovan	(Resigned 20 December 2002)
PN Phillips	(Resigned 20 December 2002)
FB Smith	(Resigned 31 December 2002)
AB Chapman	(Appointed 20 December 2002)
MC Cooper	(Appointed 20 December 2002)
SF Noonan	(Appointed 20 December 2002)
RF Pettifer	(Appointed 20 December 2002)

NATIONAL GRID GOLD LIMITED
REPORT OF THE DIRECTORS (continued)
FOR THE YEAR ENDED 31 MARCH 2003

DIRECTORS' INTERESTS IN SHARES

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 ("NGT") (which from 1 April 2002 to 21 October 2002 was National Grid Group plc)

Employee ShareSave options

	1 April 2002 or later date of appointment	Granted	Exercised	31 March 2003
AB Chapman	5,007	-	-	5,007
MC Cooper	5,362	-	-	5,362
SF Noonan	5,110	-	-	5,110
RF Pettifer	3,991	-	-	3,991

In addition MD O'Donovan exercised 4,035 shares during the year.

Executive Share options

	1 April 2002 or later date of appointment	Granted	Exercised	31 March 2003
AB Chapman	86,413	-	-	86,413
MC Cooper	17,501	-	-	17,501
SF Noonan	34,201	-	-	34,201
RF Pettifer	8,119	-	-	8,119

NATIONAL GRID GOLD LIMITED
REPORT OF THE DIRECTORS (continued)
FOR THE YEAR ENDED 31 MARCH 2003

DIRECTORS' INTERESTS IN SHARES

Beneficial interests in shares*

	1 April 2002 or later date of appointment	31 March 2003
AB Chapman	10,859	10,859
MC Cooper	49,032	49,032
SF Noonan	1,745	1,745
RF Pettifer	14,917	14,917

* Includes shares acquired under the share matching scheme. Subject to retention of the shares acquired in accordance with the rules of the scheme, a matching award of NGT Ordinary shares would be exercisable by AB Chapman (2,925 shares (2002: nil)) in addition to the above.

All the above interests at 31 March 2003 relate to Ordinary shares of 10p each in NGT, 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.

NATIONAL GRID GOLD LIMITED

REPORT OF THE DIRECTORS (continued)

FOR THE YEAR ENDED 31 MARCH 2003

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.

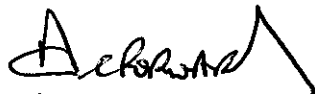
AUDITORS

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
16 October 2003



NATIONAL GRID GOLD LIMITED INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF NATIONAL GRID GOLD 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.

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 GOLD LIMITED
INDEPENDENT AUDITORS' REPORT TO
THE MEMBERS OF NATIONAL GRID GOLD LIMITED

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 profit 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

13 November 2003

NATIONAL GRID GOLD LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2003

	Notes	Year ended 31 March 2003 £'000	Year ended 31 March 2002 £'000
Operating loss	3	-	(2,001)
Interest receivable from a Group undertaking		13	10
Interest payable to a Group undertaking		-	(165)
Profit/(loss) on ordinary activities before taxation		13	(2,156)
Taxation	4	-	2,070
Profit/(loss) on ordinary activities after taxation		13	(86)
Dividends and appropriations	5	-	(57,596)
Profit/(loss) for the year transferred to/(from) reserves	9	13	(57,682)

The results reported above relate to continuing operations.

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

NATIONAL GRID GOLD LIMITED

BALANCE SHEET

AT 31 MARCH 2003

	Notes	2003 £'000	2002 £'000
Current assets			
Amounts owed by Group undertakings		1,725,057	1,722,192
Cash at bank		-	7,821
		<u>1,725,057</u>	<u>1,730,013</u>
 Creditors: amounts falling due within one year			
Amounts owed to Group undertakings		(53,588)	(58,557)
		<u>1,671,469</u>	<u>1,671,456</u>
 Net assets employed			
 Capital & reserves			
Called up share capital	6	11	11
Share premium account	7	1,401,390	1,401,390
Profit and loss account	7	270,068	270,055
		<u>1,671,469</u>	<u>1,671,456</u>
 Equity shareholders' funds	8		

The financial statements on pages 7 to 12 were approved by the board of Directors on 16 October 2003 and signed on its behalf by:



SF Noonan
Director

NATIONAL GRID GOLD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2003

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 the Companies Act 1985 and applicable accounting and financial reporting standards.

b) Basis of preparation

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) 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 or, if hedged, at the rates of exchange under the related contract.

d) Financial instruments

Derivative financial instruments are entered into by the Company with other companies within the National Grid Transco group seeking to hedge their interest rate or foreign currency positions. Amounts due to and from these other group companies in respect of these instruments outstanding at the balance sheet date are reflected in amounts owed by and to other group undertakings.

These instruments are accounted for using the mark to market method of accounting and changes in the fair values of these instruments are recognised in the profit and loss account and balance sheet.

NATIONAL GRID GOLD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2003

1 Accounting policies (continued)

e) Deferred Taxation

Deferred taxation is calculated on a full provision basis, using the approach set out in Financial Reporting Standard 19 "Deferred Tax", in respect of timing differences on a non-discounted basis.

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

The operating loss arises from the following operating costs:

	2003 £'000	2002 £'000
Losses arising on cross currency contracts	-	2,001

Audit fees are borne by the ultimate parent undertaking.

4 Taxation

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

	2003 £'000	2002 £'000
	%	%
UK corporate tax rate	30	30
Increase/(decrease) resulting from:		
Non taxable inter-group income	(30)	
Foreign exchange gains and losses	-	(358)
Finance costs in respect of non-equity shares	-	97
	-	(231)

In 2002 the Company received the benefit of tax losses of £16,543,000 from fellow Group undertakings for consideration of £4,963,000.

NATIONAL GRID GOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2003

5 Dividends and appropriations

	2003 £'000	2002 £'000
Dividends paid/payable in respect of non-equity shares	-	50,638
Finance costs in respect of non-equity shares	-	6,958
	<u>-</u>	<u>57,596</u>

During 2002, and in accordance with the provisions of FRS 4, the Company appropriated through the profit and loss account preference share dividends for that year on the Company's 5.2% redeemable preference shares prior to their redemption.

6 Share capital

Authorised, allotted, called up and fully paid:	At 31 March 2003 and 31 March 2002	
	Number	£'000
Ordinary shares of £1 each	10,000	10
A ordinary shares of Euro 1 each	<u>1,000</u>	<u>1</u>
At 31 March 2003 and 2002	<u>11,000</u>	<u>11</u>

A shares

The A ordinary shares of Euro 1 each have economic rights equivalent to that of 50.36 ordinary shares.

7 Reserves

	Share premium account £'000	Profit and loss account £'000
At 1 April 2002	1,401,390	270,055
Retained profit for the year	-	13
At 31 March 2003	<u>1,401,390</u>	<u>270,068</u>

NATIONAL GRID GOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2003

8 Reconciliation of movement in shareholders' funds

	2003 £'000	2002 £'000
Profit/(loss) on ordinary activities after taxation	13	(86)
Dividends and appropriations	-	(57,596)
	13	(57,682)
Revaluation of non-equity shares	-	25,710
Net (decrease)/increase in shareholders' funds	13	(31,972)
Opening shareholders' funds	1,671,456	1,703,428
Closing shareholders' funds	1,671,469	1,671,456

9 Related party transactions and ultimate parent company

The Company is exempt from disclosing transactions with those companies within the National Grid Transco plc group of companies where all of the voting rights are held within the group. There were no transactions with companies where not all of the voting rights are held within the National Grid Transco plc group of companies.

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

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