

**NATIONAL GRID GOLD LIMITED**  
**REPORT OF THE DIRECTORS**  
**AND FINANCIAL STATEMENTS**  
**FOR THE PERIOD FROM 9 DECEMBER 1999 TO 31 MARCH 2000**



**REGISTERED NUMBER: 3894139**

**NATIONAL GRID GOLD LIMITED**  
**REPORT OF THE DIRECTORS FOR THE PERIOD FROM**  
**9 DECEMBER 1999 TO 31 MARCH 2000**

The directors present their report and the audited financial statements of the Company for the period from 9 December 1999 to 31 March 2000.

**DATE OF INCORPORATION**

The Company was incorporated on 9 December 1999.

**PRINCIPAL ACTIVITY**

The Company ceased to be dormant, within the meaning of Section 250 of the Companies Act 1985, on 10 December 1999. On this day, the Company issued 9,988 ordinary shares to its parent undertaking, National Grid Holdings Limited.

The Company is an investment company.

**RESULTS AND DIVIDENDS**

The profit for the period after taxation was £8,220,000. The directors do not recommend payment of a dividend on the ordinary shares. The Company made an appropriation in respect of preference dividends of £6,819,000 during the period.

**FUTURE DEVELOPMENTS**

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

**DIRECTORS**

The directors of the company during the period were:

SJ Box	(Appointed 9 December 1999)
MD O'Donovan	(Appointed 9 December 1999)
PN Phillips	(Appointed 9 December 1999)
FB Smith	(Appointed 9 December 1999)

**NATIONAL GRID GOLD LIMITED**  
**REPORT OF THE DIRECTORS FOR THE PERIOD FROM**  
**9 DECEMBER 1999 TO 31 MARCH 2000 (continued)**

**DIRECTORS' INTERESTS IN SHARES**

The interests of SJ Box in Group companies are disclosed in the financial statements of the ultimate parent undertaking, 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 The National Grid Group plc ("NGG")**

**Employee ShareSave options**

**On appointment  
and 31 March 2000**

MD O'Donovan	7,039
PN Phillips	5,701
FB Smith	5,110

**Executive Share options**

**On appointment  
and 31 March 2000**

MD O'Donovan	27,114
PN Phillips	6,080
FB Smith	129,187

**Beneficial interests in shares**

**On appointment      31 March 2000**

MD O'Donovan	34,000	34,000
PN Phillips	538	314
FB Smith	23,735	17,776*

- \* 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 FB Smith (7,141 shares) in addition to the above.

**NATIONAL GRID GOLD LIMITED**  
**REPORT OF THE DIRECTORS FOR THE PERIOD FROM**  
**9 DECEMBER 1999 TO 31 MARCH 2000 (continued)**

**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 period.

**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.

**AUDITORS**

The directors have appointed PricewaterhouseCoopers as auditors to the Company and a resolution for their reappointment in accordance with the provisions of the Companies Act 1985 will be referred for shareholder approval.

**FOR THE BOARD**

**REGISTERED OFFICE**

15 MARYLEBONE ROAD  
LONDON  
NW1 5JD

  
**MD O'Donovan**

Director  
30 January 2001

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

We have audited the financial statements on pages 5 to 11.

**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.

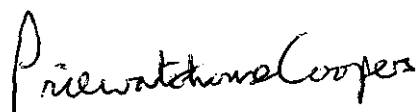
**Basis of audit opinion**

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 2000 and of its profit for the period from 9 December 1999 to 31 March 2000 and have been properly prepared in accordance with the Companies Act 1985.



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

**NATIONAL GRID GOLD LIMITED**

**PROFIT AND LOSS ACCOUNT**

**FOR THE PERIOD FROM 9 DECEMBER 1999 TO 31 MARCH 2000**

	Notes	£'000
Interest receivable and similar income	4	2
<b>Profit on ordinary activities before taxation</b>		<u>2</u>
Tax on profit on ordinary activities	5	8,218
<b>Profit on ordinary activities after taxation</b>		<u>8,220</u>
Dividends and other appropriations of profits in respect of non-equity shares	6	(6,819)
<b>Retained profit for the period</b>		<u><u>1,401</u></u>

The results reported above relate to continuing activities.

The company has no recognised gains and losses other than the profit for the period stated above and therefore no separate statement of total recognised gains and losses has been presented.

**NATIONAL GRID GOLD LIMITED**

**BALANCE SHEET**

**AT 31 MARCH 2000**

	Notes	£'000
<b>Current assets</b>		
Amounts owed by Group undertakings		1,320,649
Cash at bank		11
		<u>1,320,660</u>
 <b>Creditors: amounts falling due within one year</b>		
Amounts owed to Group undertakings		(22,577)
<b>Net current assets</b>		<u>1,298,083</u>
 <b>Net assets employed</b>		<u><u>1,298,083</u></u>
 <b>Capital &amp; reserves</b>		
 Called up share capital	7	11
Share premium account	8	896,681
Other reserve	8	399,990
Profit and loss account	8	1,401
 Equity shareholders' funds		401,401
Non-equity shareholders' funds		896,682
 <b>Shareholders' funds</b>	 9	 <u><u>1,298,083</u></u>

The financial statements on pages 5 to 11 were approved by the board of directors on 30 January 2001 and signed on its behalf by:



**MD O'Donovan**  
Director

# **NATIONAL GRID GOLD LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE PERIOD FROM 9 DECEMBER 1999 TO 31 MARCH 2000**

### **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**

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) 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 group companies to hedge the foreign currency exposure associated with its redeemable preference shares.

Losses arising on the cancellation of the financial instruments and amounts payable or receivable in respect of interest rate swaps are recognised in the profit and loss account as additional finance costs of the non-equity shares.

Changes in the fair values of financial instruments are not recognised in the profit and loss account or balance sheet.



# NATIONAL GRID GOLD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE PERIOD FROM 9 DECEMBER 1999 TO 31 MARCH 2000

### 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 Audit fees

Audit fees are borne by the ultimate parent undertaking.

### 4 Interest receivable

£'000

Interest receivable on loan from Group undertaking

2

### 5 Tax on profit on ordinary activities

The tax credit for the period represents United Kingdom corporation tax at 30% based on the tax loss for the period. This will be made available to Group undertakings for consideration of £8,218,000.

### 6 Dividends and other appropriations of profits in respect of non-equity shares

£'000

Non-equity dividends (redeemable preference shares)

3,741

Other preference share appropriations:

Net costs of cross currency swap agreements

27,397

Revaluation of redeemable preference shares

(24,319)

6,819

In accordance with the provisions of FRS 4, the company has appropriated through the profit and loss account preference share dividends for the period on the Company's 5.2% redeemable preference shares.

# NATIONAL GRID GOLD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE PERIOD FROM 9 DECEMBER 1999 TO 31 MARCH 2000

### 7 Share capital

Authorised, called up and allotted:	31 March 2000	
	Number	£'000
Ordinary shares of £1 each	10,000	10
Preference shares of Euro 1 each	1,000	1
	<hr/>	<hr/>
	11,000	11

#### *Ordinary shares*

The Company issued two ordinary shares on incorporation and 9,998 ordinary shares at par on 10 December 1999.

#### *Preference shares*

The preference shares represent 5 year cumulative redeemable preference shares denominated in Euro. They were issued to NG Jersey Limited on 16 December 1999 at Euro 1 nominal per share with a total share premium of a Euro amount equal to £1.4bn less Euro 1000 translated at the rate ruling at the date of call on the premium. The nominal amount was called and fully paid on 16 December 1999.

Shareholders are entitled to receive dividends at a fixed rate of 5.2% per annum on the amount in Euros equal to the aggregate of share capital and share premium paid in respect of those shares.

The Company has the option to redeem the shares by giving prior notice at any time on or after 20 April 2001 but not later than 10 December 2004, or without notice on 10 December 2004.

On winding up, the preference shareholders rank above ordinary shareholders and are entitled to receive an amount in Euros equal to the Euro capital and premium paid up and any dividends accrued but unpaid in respect of their shares. Shareholders may attend and speak at General Meetings, but may vote only on matters affecting their rights as holders of the redeemable preference shares.

Because of the Euro exposure associated with the final amount payable on redemption of the preference shares, the Company has entered into cross-currency swap contracts to hedge this exposure. As such, the amount payable in respect of the capital and premium paid up at 31 March 2000 is accounted for at the exchange rate of £0.5998:Euro 1 set by the cross currency swap contract which was in place at that date. Accordingly the contract is not separately accounted for.

# NATIONAL GRID GOLD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

**FOR THE PERIOD FROM 9 DECEMBER 1999 TO 31 MARCH 2000**

### 8 Reserves

	Share Premium Account £'000	Other Reserve £'000	Profit and Loss Account £'000
Non-equity shares issued during the period (a)	921,000		
Exchange adjustments (a)	(24,319)		
Capital contribution (b)		399,990	
Retained profit for the period			1,401
<b>At 31 March 2000</b>	<b>896,681</b>	<b>399,990</b>	<b>1,401</b>

- (a) As described in note 7, the Company has entered into cross-currency swap contracts to hedge the exposure in respect of the amount payable on redemption on the non-equity shares. During the period, two calls were made on the share premium of the non-equity shares. The share premium has been translated at the contract rate prevailing at 31 March 2000 of £0.5998:Euro 1.
- (b) On 16 December 1999, National Grid Holdings Limited made a capital contribution in cash to the Company.

# NATIONAL GRID GOLD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE PERIOD FROM 9 DECEMBER 1999 TO 31 MARCH 2000

### 9 Reconciliation of movement in shareholders' funds

	£'000
Profit on ordinary activities after taxation	8,220
Dividends and other appropriations of profits in respect of non-equity shares	(6,819)
	<hr/> 1,401
Issue of equity shares	10
Issue of non-equity shares	921,001
Exchange adjustments in respect of non-equity shares	(24,319)
Capital contribution	399,990
<b>Shareholders' funds at end of period</b>	<hr/> <b>1,298,083</b> <hr/>

### 10 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. There were no transactions with companies where not all of the voting rights are held within the National Grid Group of companies.

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 can be obtained from the Assistant Company Secretary, National Grid Group plc, 15 Marylebone Road, London, NW1 5JD.