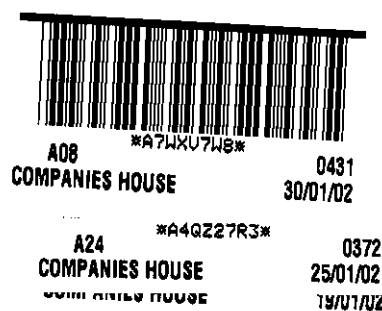


**NATIONAL GRID BRAZIL FINANCE**  
**REPORT OF THE DIRECTORS**  
**AND FINANCIAL STATEMENTS**  
**FOR THE PERIOD FROM 26 JUNE 2000 TO 31 MARCH 2001**



**REGISTERED NUMBER: 4023797**

**NATIONAL GRID BRAZIL FINANCE**  
**REPORT OF THE DIRECTORS FOR THE PERIOD FROM**  
**26 JUNE 2000 TO 31 MARCH 2001**

The directors present their report and the audited financial statements of the Company for the period from 26 June 2000 to 31 March 2001.

**DATE OF INCORPORATION**

The Company was incorporated on 26 June 2000.

**PRINCIPAL ACTIVITY**

The Company ceased to be dormant, within the meaning of Section 250 of the Companies Act 1985, on 27 June 2000. On this day the Company issued 98 ordinary shares to National Grid Overseas Two Limited.

The Company is an investment company.

**RESULTS AND DIVIDENDS**

The profit for the period after taxation was £3,122,000. The directors do not recommend payment of a dividend.

**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 26 June 2000)
CRA Carter	(Appointed 26 June 2000)
MD O'Donovan	(Appointed 26 June 2000)
PN Phillips	(Appointed 26 June 2000)
FB Smith	(Appointed 26 June 2000)

**NATIONAL GRID BRAZIL FINANCE**  
**REPORT OF THE DIRECTORS (continued)**

**FOR THE PERIOD FROM 26 JUNE 2000 TO 31 MARCH 2001**

**DIRECTORS' INTERESTS IN SHARES**

The interests of SJ Box at 31 March 2001 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 National Grid Group plc ("NGG")**

**Employee ShareSave options**

	<b>On appointment</b>	<b>Granted</b>	<b>Exercised</b>	<b>31 March 2001</b>
CRA Carter	11,815	-	-	11,815
MD O'Donovan	7,039	-	-	7,039
PN Phillips	5,701	2,328	5,701	2,328
FB Smith	5,110	-	-	5,110

**Executive Share options**

	<b>On appointment</b>	<b>Granted</b>	<b>Exercised</b>	<b>31 March 2001</b>
CRA Carter	55,010	-	-	55,010
MD O'Donovan	27,114	20,400	-	47,514
PN Phillips	6,080	-	-	6,080
FB Smith	127,873	-	-	127,873

**Beneficial interests in shares**

	<b>On appointment</b>	<b>31 March 2001</b>
CRA Carter	12,241	12,343*
MD O'Donovan	33,274	33,370
PN Phillips	314	2,911
FB Smith	30,103	30,277*

\* 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 FB Smith (4,547 shares) in addition to the above.

## **NATIONAL GRID BRAZIL FINANCE**

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

**FOR THE PERIOD FROM 26 JUNE 2000 TO 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 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. The directors also confirm that the going concern basis is appropriate.

#### **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**



**DC Forward**

Secretary

30 May 2001



#### **REGISTERED OFFICE**

15 MARYLEBONE ROAD  
LONDON  
NW1 5JD

## **NATIONAL GRID BRAZIL FINANCE**

### **REPORT OF THE AUDITORS TO**

#### **THE MEMBERS OF NATIONAL GRID BRAZIL FINANCE**

We have audited the financial statements on pages 5 to 9.

#### **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 profit for the period 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 BRAZIL FINANCE**

**PROFIT AND LOSS ACCOUNT**

**FOR THE PERIOD FROM 26 JUNE 2000 TO 31 MARCH 2001**

	Notes	£'000
Interest receivable from Group undertaking		4,460
<b>Profit on ordinary activities before taxation</b>		<b>4,460</b>
Tax on profit on ordinary activities	4	(1,338)
<b>Profit on ordinary activities after taxation, being retained profit for the period</b>		<b>3,122</b>

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 BRAZIL FINANCE**

**BALANCE SHEET**

**AT 31 MARCH 2001**

	Notes	£'000
<b>Current assets</b>		
Amount owed by Group undertaking		82,114
<b>Creditors: amounts falling due within one year</b>		
Amounts owed to Group undertakings		(1,338)
<b>Net current assets</b>		<u>80,776</u>
 <b>Capital &amp; reserves</b>		
Called up share capital	5	-
Share premium account	6	77,654
Profit and loss account	6	3,122
<b>Equity shareholders' funds</b>	7	<u>80,776</u>

The financial statements on pages 5 to 9 were approved by the board of directors on 30 May 2001 and signed on its behalf by:



**MD O'Donovan**  
Director

**NATIONAL GRID BRAZIL FINANCE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD FROM 26 JUNE 2000 TO 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**

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.

**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 Tax on profit on ordinary activities**

The corporation tax payable for the period has been reduced by £1,338,000 because of group relief received from a Group undertaking for which a payment of £1,338,000 will be made.

**5 Share capital**

<b>Authorised, called up, allotted and fully paid:</b>	<b>31 March 2001</b>	
	<b>Number</b>	<b>£</b>
Ordinary shares of £1 each	100	100

The company was incorporated as an unlimited company on 26 June 2000 with two £1 ordinary shares. On 27 June 2000, the Company issued 98 £1 ordinary shares with a total premium of £451,975,410.



# NATIONAL GRID BRAZIL FINANCE

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE PERIOD FROM 26 JUNE 2000 TO 31 MARCH 2001

#### 6 Reserves

	Share premium account £'000	Profit and loss account £'000
Retained profit for the period	-	3,122
Shares issued during the period	451,975	-
Reduction in share premium	(374,321)	-
<b>At 31 March 2001</b>	<u>77,654</u>	<u>3,122</u>

On 27 June 2000, the Company reduced its share premium account by £300,721,000 and this amount was paid to National Grid Holdings BV by the assignment of amounts owed to the Company.

On 12 August 2000, the Company reduced its share premium account by £73,600,000 and this sum was paid in cash to National Grid Holdings BV.

#### 7 Reconciliation of movement in equity shareholders' funds

	£'000
Profit on ordinary activities after taxation	3,122
Issue of ordinary shares	451,975
Reduction in share premium	(374,321)
<b>Closing equity shareholders' funds</b>	<u>80,776</u>