

**NATIONAL GRID SIX LIMITED**  
**REPORT OF THE DIRECTORS**  
**AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2004**



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**REGISTERED NUMBER: 4056294**

**NATIONAL GRID SIX LIMITED**  
**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 31 MARCH 2004**

The Directors present their report and the audited financial statements of the Company for the year ended 31 March 2004.

**PRINCIPAL ACTIVITY**

The Company is an investment company.

**RESULTS AND DIVIDENDS**

The profit for the year after taxation was £28,000 (2003: £396,000). The Directors do not *recommend the payment of a dividend* (2003: £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:

SJ Box  
AB Chapman  
MC Cooper  
DH Jones  
SF Noonan  
RF Pettifer

**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 SIX LIMITED**  
**REPORT OF THE DIRECTORS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2004**

**DIRECTORS' INTERESTS IN SHARES**

The interests of the Directors at 31 March 2004 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')**

**Employee ShareSave options**

	<b>1 April 2003</b>	<b>Granted</b>	<b>Exercised</b>	<b>31 March 2004</b>
AB Chapman	5,007	-	-	5,007
MC Cooper	5,362	-	-	5,362
SF Noonan	5,110	1,000	1,105	5,005
RF Pettifer	3,991	1,746	1,846	3,891

**Executive Share options**

	<b>1 April 2003</b>	<b>Granted</b>	<b>Exercised</b>	<b>31 March 2004</b>
SJ Box	428,385	-	-	428,385
AB Chapman	86,413	-	-	86,413
MC Cooper	17,501	-	-	17,501
DH Jones	489,518	-	-	489,518
SF Noonan	34,201	-	-	34,201
RF Pettifer	8,119	-	-	8,119

**Performance SharePlan Awards**

	<b>1 April 2003</b>	<b>Granted</b>	<b>Exercised</b>	<b>31 March 2004</b>
AB Chapman	-	20,481	-	20,481
MC Cooper	-	29,611	-	29,611
SF Noonan	-	11,844	-	11,844
RF Pettifer	-	6,525	-	6,525

**Beneficial interests in shares\***

	<b>1 April 2003</b>	<b>31 March 2004</b>
SJ Box	26,425	26,425
AB Chapman	10,859	12,457
MC Cooper	49,032	49,252
DH Jones	141,270	141,270
SF Noonan	1,745	1,965
RF Pettifer	14,917	14,822

\*Note: Includes shares acquired under the Share Matching scheme. Subject to retention of the shares acquired in accordance with the rules of the scheme, matching awards of National Grid Transco plc Ordinary shares were exercisable by SJ Box (6,134 shares (2003: 6,134 shares)) AB Chapman (5,292 shares (2003: 2,925 shares)) in addition to the above.

**NATIONAL GRID SIX LIMITED**  
**REPORT OF THE DIRECTORS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2004**

**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 Company has 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**



**RF Pettifer**  
Director  
21 January 2005

**REGISTERED OFFICE**

1-3 STRAND  
LONDON  
WC2N 5EH

**NATIONAL GRID SIX LIMITED**  
**INDEPENDENT AUDITORS REPORT TO**

**THE MEMBERS OF NATIONAL GRID SIX 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 *Report of the Directors 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 Report of the Directors.

**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 2004 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  
21 January 2005

**NATIONAL GRID SIX LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 MARCH 2004**

	Notes	2004 £'000	2003 £'000
Operating income	4	340	8,458
Amount written off investment		-	(3,436)
<b>Operating profit</b>		340	5,022
Interest receivable from Group undertakings		-	3,169
Interest payable to Group undertakings		(312)	(7,625)
<b>Profit on ordinary activities before taxation</b>		28	566
Taxation	5	-	(170)
<b>Profit on ordinary activities after taxation</b>		28	396
Appropriations in respect of non-equity shares	6	(5,492)	(5,492)
<b>Loss for the year transferred from reserves</b>	9	<b>(5,464)</b>	<b>(5,096)</b>

The results reported above relate to continuing activities.

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

# NATIONAL GRID SIX LIMITED

## BALANCE SHEET

AT 31 MARCH 2004

	Notes	2004 £'000	2003 £'000
<b>Fixed asset investment</b>	7	-	-
<b>Current assets</b>			
Amounts owed by Group undertakings		41,530	43,523
<b>Creditors: amounts falling due within one year</b>			
Amounts owed to Group undertakings		(20,550)	(22,571)
<b>Net current assets</b>		20,980	20,952
<b>Net assets employed</b>		<u>20,980</u>	<u>20,952</u>
<b>Capital &amp; reserves</b>			
Called up share capital	8	73,226	73,226
Profit and loss account	9	(52,246)	(52,274)
Equity shareholders' funds		(68,722)	(63,258)
Non-equity shareholders' funds		89,702	84,210
<b>Shareholders' funds</b>	10	<u>20,980</u>	<u>20,952</u>

The financial statements on pages 5 to 13 were approved by the Board of Directors on 21 January 2005 and signed on its behalf by:

  
**SF Noonan**  
 Director

**NATIONAL GRID SIX LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2004**

**1 Accounting policies**

**a) Basis of accounting**

The financial statements have been prepared under the historical cost convention, as modified by the mark to market method of accounting for derivative financial instruments as noted in Note 1 e), 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) Fixed asset 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.

**d) 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.

**e) Financial instruments**

Derivative financial instruments were entered into by the Company with other companies within the National Grid Transco plc 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 as amounts owed by and to other group undertakings.

In the prior year the Company entered into cross currency swaps with other group companies to hedge the foreign currency exposure associated with its foreign loan investment. These contracts were closed on 20 December 2002 and no new contracts were entered into.



**NATIONAL GRID SIX LIMITED**

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

**FOR THE YEAR ENDED 31 MARCH 2004**

**1 Accounting policies (continued)**

**e) Financial instruments (continued)**

These instruments were accounted for using the mark to market method of accounting and changes in the fair values of the instruments were recognised in the profit and loss account and balance sheet. This is not in accordance with Schedule 4 to the Companies Act 1985 which requires that such assets be stated at the lower of cost and net realisable value, or that if revalued, any revaluation difference to be taken to the revaluation reserve.

The Directors considered that these requirements would have failed to give a true and fair view of the results for that year since the true economic measure of profits and losses on these instruments in any year is properly made by reference to their market values.

**2 Directors and employees**

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.

There were no employees of the Company during the year (2003: Nil).

**3 Audit fees**

Audit fees are borne by a fellow Group undertaking.

**4 Operating income**

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
Operating income comprises:		
Foreign exchange gains	<u>340</u>	<u>8,458</u>

# NATIONAL GRID SIX LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 31 MARCH 2004

#### 5 Taxation

	2004 £'000	2003 £'000
Amount payable for group relief	-	170

The corporation tax charge has been reduced to £Nil because tax losses of £28,000 have been surrendered from a fellow subsidiary and no payment for this surrender will be made by the Company. For the year ended 31 March 2003 tax losses of £566,000 were surrendered by a fellow subsidiary for a payment of £170,000.

The UK statutory rate of corporation tax is 30%, however as a result of the surrender of group relief for no payment for the year ended 31 March 2004, the effective rate of tax was 0% (2003: 30%)

#### 6 Appropriations in respect of non-equity shares

	2004 £'000	2003 £'000
Appropriations in respect of non-equity shares	5,492	5,492

During the current and prior year, the Company has had insufficient distributable reserves to declare a dividend of £5,492,000 (2003: £5,492,000) that would otherwise be due on the redeemable preference shares. This has therefore not yet been declared (see note 9).

# NATIONAL GRID SIX LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 31 MARCH 2004

#### 7 Fixed asset investment

	<b>Loans to Related Undertaking £'000</b>
<b>Cost</b>	
At 1 April 2003	49,004
Exchange adjustment	(6,694)
At 31 March 2004	<u>42,310</u>
<b>Provision</b>	
At 1 April 2003	49,004
Exchange adjustment	(6,694)
At 31 March 2004	<u>42,310</u>
<b>Net book value</b>	
At 1 April 2003 and 31 March 2004	<u>-</u>

The fixed asset investment at 31 March 2004 represents a US dollar denominated loan receivable from Intelig Telecomunicacoes Ltda, an investment undertaking within the National Grid Transco plc group of companies. The Directors consider the loan to be long-term in nature and it is therefore classified as a fixed asset investment. Full provision has been made against all loans due from this investment undertaking, which are no longer considered recoverable.

# NATIONAL GRID SIX LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 31 MARCH 2004

#### 8 Share capital

	2004 £'000	2003 £'000
<b>Authorised</b>		
100 ordinary shares of £1 each	-	-
1,000,000,000 redeemable preference shares of £1 each	1,000,000	1,000,000
	<u>1,000,000</u>	<u>1,000,000</u>
	2004	2003
	£'000	£'000
<b>Allotted, called up and fully paid</b>		
1 ordinary share of £1 each	-	-
73,226,142 redeemable preference shares of £1 each	73,226	73,226
	<u>73,226</u>	<u>73,226</u>

The redeemable preference shares are non-equity shares. They carry the right to a preferential dividend of 7.5% per annum on the nominal value and any premium paid. The Company has the option to redeem the shares at par by giving not less than 30 days written notice at any time before 29 June 2006, or without notice on 30 June 2006. The holders of not less than half of the redeemable preference shares are entitled to require, by giving notice, the redemption of all of the redeemable preference shares in the event of the preferential dividend not being paid on the due date.

On winding up, the preference shareholders rank above ordinary shareholders and are entitled to receive the nominal amount and paid up premium 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.

# NATIONAL GRID SIX LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 31 MARCH 2004

#### 9 Profit and loss account

	£'000
At 1 April 2003	(52,274)
Loss for the year	(5,464)
Dividend on redeemable preference shares for the year not yet declared	5,492
<b>At 31 March 2004</b>	<b>(52,246)</b>

Accumulated dividends payable on the redeemable preference shares are £16,476,000 (2003: £10,984,000) which have not been declared as there are insufficient distributable reserves.

#### 10 Reconciliation of movement in shareholders' funds

	2004 £'000	2003 £'000
Profit on ordinary activities after taxation	28	396
Appropriations in respect of non-equity shares	(5,492)	(5,492)
	(5,464)	(5,096)
Dividend on redeemable preference shares for the year not yet declared	5,492	5,492
Net increase in shareholders' funds	28	396
Opening shareholders' funds	20,952	20,556
<b>Closing shareholders' funds</b>	<b>20,980</b>	<b>20,952</b>

<b>Shareholders funds allocated to non-equity</b>	<b>2004 £'000</b>	<b>2003 £'000</b>
Non-equity share capital	73,226	73,226
Non-equity dividend due not yet declared	16,476	10,984
	<b>89,702</b>	<b>84,210</b>

# NATIONAL GRID SIX LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 31 MARCH 2004

#### 10 Reconciliation of movement in shareholders' funds (continued)

	2004 £'000	2003 £'000
<b>Shareholders funds allocated to equity</b>		
Difference between total shareholders' funds and amount allocated to non-equity interests	<u>(68,722)</u>	<u>(63,258)</u>
Made up as follows:		
Equity shares	-	-
Profit and loss account	<u>(68,722)</u>	<u>(63,258)</u>
	<u>(68,722)</u>	<u>(63,258)</u>

#### 11 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. Transactions with related parties where not all of the voting rights are held within the National Grid Transco plc group of companies are shown in note 7.

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 registered in England and Wales.

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