

NATIONAL GRID FIFTEEN LIMITED
(A company limited by guarantee and not having share capital)

REPORT OF THE DIRECTORS

AND FINANCIAL STATEMENTS

FOR THE PERIOD FROM 23 JULY 2002 TO 31 MARCH 2003



Registered Number: 4492534

NATIONAL GRID FIFTEEN LIMITED

REPORT OF THE DIRECTORS

FOR THE PERIOD FROM 23 JULY 2002 TO 31 MARCH 2003

The directors present their report and the audited financial statements of the Company for the period from 23 July 2002 to 31 March 2003 ("the period").

DATE OF INCORPORATION

The Company was incorporated on 23 July 2002 and is limited by guarantee.

PRINCIPAL ACTIVITY

The Company is an investment company.

FUTURE DEVELOPMENTS

The Company will remain an investment company for the foreseeable future.

RESULTS AND DIVIDENDS

The Company has not traded during the period and therefore no profit and loss account or statement of total recognised gains and losses has been presented. The directors do not recommend the payment of a dividend.

DIRECTORS

The directors of the company during the period and subsequently were:

CRA Carter	(Appointed 23 July 2002, Resigned 29 November 2002)
AB Chapman	(Appointed 20 December 2002)
MC Cooper	(Appointed 20 December 2002)
DC Forward	(Appointed 23 August 2002, Resigned 31 December 2002)
SF Noonan	(Appointed 20 December 2002)
MD O'Donovan	(Appointed 23 July 2002, Resigned 20 December 2002)
RF Pettifer	(Appointed 20 December 2002)
PN Phillips	(Appointed 23 August 2002, Resigned 20 December 2002)
FB Smith	(Appointed 23 July 2002, Resigned 31 December 2002)

NATIONAL GRID FIFTEEN LIMITED

REPORT OF THE DIRECTORS (continued)

FOR THE PERIOD FROM 23 JULY 2002 TO 31 MARCH 2003

DIRECTORS' INTERESTS IN SHARES

The interests of the directors at 31 March 2003 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 (which from 31 October 2001 to 21 October 2002 was National Grid Group plc)

Employee ShareSave options

	On appointment and at 31 March 2003
AB Chapman	5,007
MC Cooper	5,362
SF Noonan	5,110
RF Pettifer	3,991

Executive Share options

	On appointment and at 31 March 2003
AB Chapman	86,413
MC Cooper	17,501
SF Noonan	34,201
RF Pettifer	8,119

Beneficial interests in shares*

	On appointment and at 31 March 2003
AB Chapman	10,859
MC Cooper	49,032
SF Noonan	1,745
RF Pettifer	14,917

*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 AB Chapman (2,925 shares (appointment: nil)) in addition to the above.

All the above interests at 31 March 2003 relate to Ordinary shares of 10p each in National Grid Transco plc, 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 period.

NATIONAL GRID FIFTEEN LIMITED

REPORT OF THE DIRECTORS (continued)

FOR THE PERIOD FROM 23 JULY 2002 TO 31 MARCH 2003

DIRECTORS' RESPONSIBILITIES

The directors are required by the Companies Act 1985 to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss of the Company for the financial period.

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.

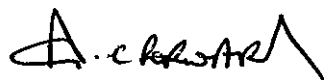
AUDITORS

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 FIFTEEN LIMITED
INDEPENDENT AUDITORS REPORT TO
THE MEMBERS OF NATIONAL GRID FIFTEEN LIMITED

We have audited the financial statements which comprise 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.

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 directors' report.

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 2003 and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
16 October 2003

NATIONAL GRID FIFTEEN LIMITED

BALANCE SHEET

AT 31 MARCH 2003

	Notes	2003 £'000
Fixed asset		
Investment	5	<u>1</u>
Creditors: amounts falling due within one year		
Amount owed to a Group undertaking		<u>(1)</u>
Net current liabilities		<u>(1)</u>
Net assets employed		<u><u>-</u></u>
Total member's funds	6	<u><u>-</u></u>

The financial statements on pages 5 to 7 were approved by the board of directors on 16 October 2003 and signed on its behalf by:



SF Noonan
Director

NATIONAL GRID FIFTEEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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 applicable accounting and financial reporting standards.

b) Basis of preparation

In accordance with Section 228 of the Companies Act 1985, the company is exempt from preparing consolidated financial statements, as it is a wholly owned subsidiary of National Grid Eighteen Limited and is included within the consolidated accounts of National Grid Holdings One 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 National Grid Transco plc.

c) 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.

2 Recognition of gains and losses

The Company did not trade during the period and hence no profit and loss account or statement of total recognised gains and losses is presented.

3 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.

4 Audit fees

Audit fees are borne by the ultimate parent undertaking.

NATIONAL GRID FIFTEEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

5 Fixed asset investment

	Shares in Group Undertaking £'000
Cost and net book value	
At 23 July 2002	-
Additions	1
At 31 March 2003	<u>1</u>

The fixed asset investment at 31 March 2003 comprises the whole of the ordinary share capital of National Grid Sixteen Ltd, an investment company incorporated in the UK.

6 Member's funds

The Company is limited by guarantee, and the guarantor is National Grid Eighteen Limited.

7 Related party transactions and ultimate parent company

The Company is exempt from disclosing transactions with those companies within the National Grid Transco 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 group of companies.

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

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