

Wales & West Utilities Limited

(Formerly Blackwater 2 Ltd)

Registered number 05046791

**Directors' Report and
Financial Statements
for the period
17th February 2004 to
31st March 2005**



Wales & West Utilities Limited

(Formerly Blackwater 2 Limited)

Financial Report - Period from 17th February 2004 to 31st March 2005

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Wales & West Utilities Limited

(Formerly Blackwater 2 Limited)

Period from 17th February 2004 to 31st March 2005

General Information

Current Directors

Ross Edward Sayers
Wayne Anthony Leamon
Stephen John Box
Graeme Francis Bevans
Duncan Whyte
Graham Winston Edwards
James Stuart Craig
Philip Stuart Garling

Alternate directors

Charles John Gore Hazelwood
Howard Charles Higgins
Steven John Bickerton
James Dickson

Changes in directors are set out in the Directors' report.

Secretary/Joint Secretaries

Andrew Peter Durrant
Richard Anthony Eves
Christopher John Talbot

Appointed 17 th February 2004	Resigned 1 st June 2005
Appointed 17 th February 2004	Resigned 1 st June 2005
Appointed 1 st June 2005	

Registered Office

Ferry Road
Cardiff
CF11 0XR

Auditors

PricewaterhouseCoopers LLP
1 Kingsway
Cardiff
CF10 3PW

Company number:

05046791

Wales & West Utilities Limited

(Formerly Blackwater 2 Limited)

Statement of Directors' Responsibilities- Period from 17th February 2004 to 31st March 2005

Directors' Report

The directors present their first annual report and the audited financial statements of Wales & West Utilities Limited ("the Company") for the period from 17th February 2004 to 31st March 2005 ("the Period").

■ Principal activities and review of the business

The Company was incorporated in England and Wales on 17th February 2004 as Blackwater 2 Limited and changed its name to Wales & West Utilities Limited on 1st June 2005.

With effect from 1st May 2005 the Company unconditionally acquired the gas distribution network which operates within Wales and the South West of England from Transco plc. Since that date, the Company has operated this distribution network.

The Company does not envisage any further changes in activity for the foreseeable future. In the opinion of the Directors there were no other significant developments within the Company that occurred during the financial period under review.

Details of Post Balance Sheet Events are set out in Note 5 and of the ownership of the Company in Note 6. Details of movements in the authorised and issued share capital of the Company are included in Note 4.

■ Results and Dividends

During the Period the Company did not trade and therefore has not prepared a profit and loss account or cash flow statement.

■ Directors and their interests

The directors holding office in the Period are listed below

Andrew Peter Durrant	Appointed 17 th February 2004	Resigned 27 th August 2004
Richard Anthony Eves	Appointed 17 th February 2004	Resigned 27 th August 2004
Colin Buck	Appointed 27 th August 2004	Resigned 1 st June 2005
Ian Christopher Davis	Appointed 27 th August 2004	Resigned 1 st June 2005
Mark Robert Fairbairn	Appointed 27 th August 2004	Resigned 1 st June 2005
Steven John Holliday	Appointed 27 th August 2004	Resigned 1 st June 2005
James O'Sullivan	Appointed 27 th August 2004	Resigned 1 st June 2005
Ross Edward Sayers	Appointed 1 st June 2005	
Wayne Anthony Leamon	Appointed 1 st June 2005	
Stephen John Box	Appointed 1 st June 2005	
Graeme Francis Bevans	Appointed 1 st June 2005	
Duncan Whyte	Appointed 1 st June 2005	
Graham Winston Edwards	Appointed 1 st June 2005	
James Stuart Craig	Appointed 1 st June 2005	
Philip Stuart Garling	Appointed 1 st June 2005	

Alternate Directors

Alison Barbara Kay	Appointed 20 th May 2005	Resigned 1 st June 2005
Christopher Train	Appointed 20 th May 2005	Resigned 1 st June 2005
Charles John Gore Hazelwood	Appointed 1 st June 2005	
Howard Charles Higgins	Appointed 1 st June 2005	
Steven John Bickerton	Appointed 19 th September 2005	
Richard James Howes	Appointed 1 st June 2005	Resigned 19 th September 2005
James Dickson	Appointed 1 st June 2005	

None of the directors had an interest in any material contract with the Company during the Period. None of the directors held interests in shares of the Company during the Period.

Wales & West Utilities Limited

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Financial Report - Period from 17th February 2004 to 31st March 2005

■ Directors and their interests (continued)

Colin Buck, Mark Fairbairn and Jim O'Sullivan were also directors of Transco plc and their interests in the shares of the ultimate parent company are disclosed in those accounts.

Steven Holliday was also a director of National Grid PLC and his interests in the share capital of that company are disclosed in those accounts.

The interests of Ian Davies in the shares of National Grid PLC, the ultimate parent company, during the period were:

		27 th August 2004			31 st March 2005		
Beneficial interests		33,920			34,099		Excludes share matching plan interests
		27 th August 2004			31 st March 2005		Release date
Performance share plan		28,124			28,124		June 2007 to June 2008
		27 th August 2004	Granted	Exercised	31 st March 2005	March	Exercise price
Share options							Normal exercise period
Share save scheme		4,692			4,692		350.0
Executive share options		78,885			78,885		506.8
		83,577	-	-	83,577		498.0
							June 2001 to June 2012
		Date of grant	Shares	Price	Matching Option		
Share plan	Matching	Jun 2002	838	478.25	1,398		
		Jun 2003	801	402.75	1,377		
		May 2004	848	431.25	1,457		

■ Auditors

PricewaterhouseCoopers LLP were appointed as auditors on 17th March 2004.

Wales & West Utilities Limited

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Financial Report - Period from 17th February 2004 to 31st March 2005

■ **Statement of Directors' Responsibilities**

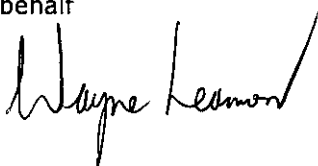
The directors are required by the Companies Act 1985 to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss for the financial period. In preparing those financial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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the board of directors
and signed on their behalf

Wayne Leamon
Director
18 November 2005



Ferry Road
Cardiff
CF11 0XR

Wales & West Utilities Limited

(Formerly Blackwater 2 Limited)

Independent Auditors' Report to the Members of Wales & West Utilities 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.*

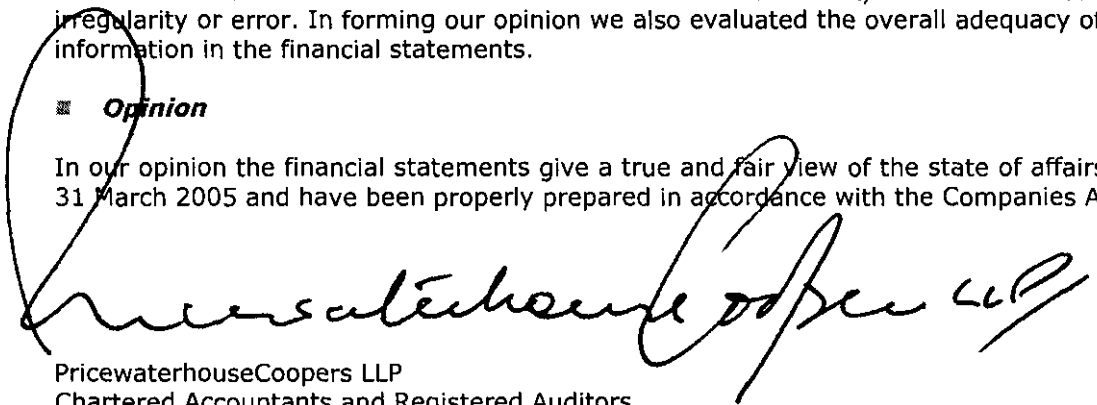
■ Basis of audit opinion

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 affairs of the Company at 31 March 2005 and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Cardiff

27 November 2005

Wales & West Utilities Limited

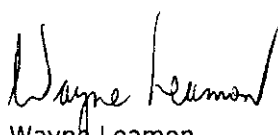
(Formerly Blackwater 2 Limited)

Financial Report - Period from 17th February 2004 to 31st March 2005**Company Balance Sheet as at 31 March 2005**

	Note	31 March 2005 £
Current assets		
Debtors	3	1
		<u>1</u>
Creditors: amounts falling due within one year		-
		<u>1</u>
Net current assets		1
		<u>1</u>
Net assets		<u>1</u>
Capital and reserves		
Called up share capital	4	1
Profit and loss account		-
Equity shareholders' reserves		<u>1</u>

The notes on pages 7 and 8 form part of these financial statements.

The financial statements were approved by the board of directors on 18 November 2005 and were signed on its behalf by:



Wayne Leamon
Director
18 November 2005

The above Balance sheet should be read in conjunction with the accompanying notes.

Wales & West Utilities Limited

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Financial Report - Period from 17th February 2004 to 31st March 2005

Notes to the financial statements for the period from 17th February 2004 to 31st March 2005

1. Principal accounting policies

The following accounting policies have been applied in dealing with items which are considered material in relation to the Company's financial statements.

(a) Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. The directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they adopt the going concern basis in preparing the financial statements.

2. Directors and employees

The Company had no employees during the period. The directors received no remuneration for their services.

3. Debtors

**Company
2005**

£

Amounts falling due within one year:

Amounts owed by parent undertaking

1

1

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4. Called up share capital

	Company 2005
	£
<i>Authorised share capital</i>	
30,675,000 ordinary shares of £1 each	30,675,000
	<u>30,675,000</u>
<i>Called up, allotted and unpaid</i>	
1 ordinary share of £1 each	1
	<u>1</u>

The initial authorised share capital of the Company on incorporation was 100 ordinary shares of £1 each.

The authorised share capital was increased from 100 ordinary shares of £1 each to 30,675,000 ordinary shares of £1 each on 30th August 2004.

On 1st May 2005 the issued share capital of the Company was increased to 30,675,000 ordinary shares of £1 each.

5. Post balance sheet

On 1st May 2005 the gas distribution network business of Transco plc operating in Wales and the South West of England was transferred to the Company.

The purchase consideration for the assets, liabilities and business amounted to £1,207m and were satisfied through the creation of an intercompany loan from Transco plc.

On 1st June 2005, the Company was acquired by MGN Gas Networks (Senior Finance) Limited.

6. Parent company and ultimate controlling parties

The immediate parent company, from incorporation until 31st May 2005, was Transco plc, whose registered office is 1-3 Strand, London, WC2N 5EH. Copies of the financial statements of Transco plc can be obtained from the Company Secretary at that address.

The ultimate parent company, from incorporation until 31st May 2005, was National Grid Transco plc (now National Grid plc) whose registered office is 1-3 Strand, London, WC2N 5EH. Copies of the financial statements of Transco plc can be obtained from the Company Secretary at that address.

With effect from 1st June 2005, the immediate parent company of the company became MGN Gas Networks (Senior Finance) Limited, a company incorporated in England and Wales whose registered office is Level 30 Citypoint, 1 Ropemaker Street, London EC2Y 9HD, United Kingdom.

From the same date the ultimate parent company became MGN Gas Networks (UK) Limited, a company incorporated in England and Wales and whose registered office is Level 30 Citypoint, 1 Ropemaker Street, London EC2Y 9HD, United Kingdom. Copies of the financial statements of MGN Gas Networks (UK) Limited can be obtained from the Company Secretary at this address.