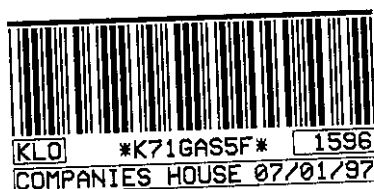


**REGISTERED NUMBER : 2444282**

**ENERGY SETTLEMENTS AND INFORMATION SERVICES  
LIMITED**

**REPORT OF THE DIRECTORS AND  
FINANCIAL STATEMENTS FOR THE YEAR**

**ENDED 31 MARCH 1996**



# **ENERGY SETTLEMENTS AND INFORMATION SERVICES LIMITED**

## **REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1996**

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# **ENERGY SETTLEMENTS AND INFORMATION SERVICES LIMITED**

## **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 1996**

1. The Directors present their report and the audited financial statements for the financial year ended 31 March 1996.

### **Principal Activities**

2. The Company is a wholly owned subsidiary of The National Grid Company plc ("NGC"), which in itself is a wholly owned subsidiary of The National Grid Group plc. NGC is required by its Transmission Licence to implement, maintain and operate a settlement system for the calculation of payments which become due to or owing by authorised electricity operators in respect of sales and purchases of electricity under the terms of the Pooling and Settlement Agreement (the "PSA").
3. Following vesting of the constituent parts of the Central Electricity Generating Board on 31 March 1990, the Company is engaged under the PSA as Settlement System Administrator ("SSA"). The Company operates, and is involved in the development of, the systems which carry out the settlement process.
4. The Company has successfully met all billing deadlines throughout the entire period since vesting and has implemented various software enhancements to improve productivity thereby achieving its stated objective of undertaking the role of SSA to the highest possible standard.
5. In 1995 the Company commenced negotiating amended terms of engagement with the Electricity Pool of England and Wales for undertaking the role of SSA. The purpose of the negotiations was to develop the commercial relationship between the two parties and to establish a framework of services that define the role. The most significant effect of the negotiations has been a change in the basis of the Company's charging from cost plus to agreed charges and prices. The amended terms of engagement are due to be incorporated into the PSA in the near future.

### **Future Developments**

6. The company's objective is to add value to its existing services as Settlement System Administrator and to work closely with the Electricity Pool of England and Wales in the future development and operation of the Settlement System, particularly the challenges facing the Industry in 1998.

## Results and Dividends

7. Profit before taxation was £2,874,000 (1995 - £2,515,000). The charge for taxation was £1,444,000 (1995 - £1,492,000), which left profit after taxation for the year of £1,430,000 (1995 - £1,023,000).
8. At a board meeting on 28th February 1996 the Directors declared an interim dividend to shareholders of 25.00p per share (1995 - NIL). The Directors do not recommend a final dividend (1995 - 10.23p per share).

## Directors

9. The following were Directors during the year:

D. H. Jones (Chairman)  
D. H. Elsey  
C. Buck -appointed as alternate for D.H.Elsey on 28th February 1996  
G. K. James  
P. N. Milner  
W. Gerretsen -appointed as a Director on 28th February 1996

## Directors' Interests in Shares

10. The interests of Mr D H Jones and Mr W Gerretsen in group companies are disclosed in the accounts of the ultimate parent company, The National Grid Group plc. The interests of the other directors are as follows:

Ordinary shares of 10p each in The National Grid Group plc

### Executive Share Options

|            | 1 April 1995 | Granted<br>in year | Exercised<br>in year | 31 March 1996 |
|------------|--------------|--------------------|----------------------|---------------|
| C Buck     | -            | -                  | -                    | -             |
| D H Elsey  | 146,471      | -                  | -                    | 146,471       |
| G K James  | -            | -                  | -                    | -             |
| P N Milner | -            | -                  | -                    | -             |

### Employee Sharesave options

|            | 1 April 1995 | Granted in year | Exercised in year | 31 March 1996 |
|------------|--------------|-----------------|-------------------|---------------|
| C Buck     | 22,705       | -               | -                 | 22,705        |
| D H Elsey  | -            | -               | -                 | -             |
| G K James  | -            | -               | -                 | -             |
| P N Milner | -            | -               | -                 | -             |

### Shares Beneficially Owned

|            | 1 April 1995 | 31 March 1996 |
|------------|--------------|---------------|
| C Buck     | -            | 421           |
| D H Elsey  | 37,252       | 37,652        |
| G K James  | -            | 489           |
| P N Milner | -            | -             |

### Transactions with Directors

11. 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 provision of Schedule 6 to the Companies Act 1985, during the year.

### Close Company Provisions

12. The Company is not a close company within the provisions of the Income and Corporation Taxes Act 1988.

### Payment To Suppliers

13. It is the company's payment policy for 1996/97 to follow the CBI prompt payment code for all suppliers. Information about the code may be obtained from the CBI, Centrepont, 183 New Oxford Street, London, WC1A 1DU.

### Auditors

14. A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the Annual General meeting.

### **BY ORDER OF THE BOARD**



**D. C. FORWARD**

**SECRETARY**

**4th June 1996**

### **REGISTERED OFFICE**

**FAIRHAM HOUSE**

**GREEN LANE**

**CLIFTON**

**NOTTINGHAM**

**NG11 9LN**

# **ENERGY SETTLEMENTS AND INFORMATION SERVICES LIMITED**

## **STATEMENT OF 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.

## **Report of the auditors to the members of Energy Settlements and Information Services Limited**

We have audited the financial statements on pages 6 to 14.

### **Respective responsibilities of directors and auditors**

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

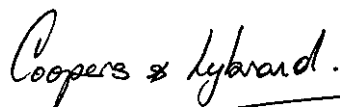
### **Basis of Opinion**

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 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



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**Coopers & Lybrand**  
**Chartered Accountants and Registered Auditors**  
**London**  
**4th June 1996**

**ENERGY SETTLEMENTS AND INFORMATION SERVICES  
LIMITED**

**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED**

**31 MARCH 1996**

|   | NOTES | 1996<br>£'000 | 1995<br>£'000 |
|---|-------|---------------|---------------|
| TURNOVER - continuing operations              | 2     | 39,021        | 37,493        |
| Operating costs                               | 3     | (36,040)      | (35,407)      |
|   |       | <hr/>         | <hr/>         |
| OPERATING PROFIT - continuing operations      |       | 2,981         | 2,086         |
| Net interest                                  | 6     | (107)         | 429           |
|   |       | <hr/>         | <hr/>         |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION |       | 2,874         | 2,515         |
| Taxation                                      | 7     | (1,444)       | (1,492)       |
|   |       | <hr/>         | <hr/>         |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION  |       | 1,430         | 1,023         |
| Dividend                                      | 8     | (2,500)       | (1,023)       |
|   |       | <hr/>         | <hr/>         |
| RETAINED LOSS FOR THE YEAR                    |       | (1,070)       | -             |
| Retained profit brought forward               |       | 1,144         | 1,144         |
|   |       | <hr/>         | <hr/>         |
| RETAINED PROFIT CARRIED FORWARD               |       | 74            | 1,144         |
|   |       | <hr/>         | <hr/>         |

The company has no recognised gains and losses other than the profit for the year.



# ENERGY SETTLEMENTS AND INFORMATION SERVICES LIMITED

## BALANCE SHEET

AT 31 MARCH 1996

|  | NOTES | 1996<br>£'000 | 1995<br>£'000 |
|--|-------|---------------|---------------|
| <b>FIXED ASSETS</b>                                    |       |               |               |
| Tangible assets  | 9     | 8,067         | 10,848        |
| <b>CURRENT ASSETS</b>                                  |       |               |               |
| Debtors  | 10    | 11,049        | 7,505         |
| Cash at bank and in hand                               |       | 4,541         | 5,972         |
|  |       | 15,590        | 13,477        |
| <b>CREDITORS (amounts falling due within one year)</b> | 11    | (13,583)      | (13,181)      |
| <b>NET CURRENT ASSETS</b>                              |       | 2,007         | 296           |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>           |       | 10,074        | 11,144        |
| <b>CAPITAL AND RESERVES</b>                            |       |               |               |
| Called up share capital                                | 12    | 10,000        | 10,000        |
| Profit and loss account                                |       | 74            | 1,144         |
| <b>EQUITY SHAREHOLDERS' FUNDS</b>                      |       | 10,074        | 11,144        |

The financial statements on pages 6 to 14 were approved by the Board of Directors on 4th June 1996 and were signed on its behalf by:

D. H. JONES



G. K. JAMES



# **ENERGY SETTLEMENTS AND INFORMATION SERVICES LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. PRINCIPAL ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with applicable accounting and financial reporting standards in the United Kingdom. A summary of the more important accounting policies which have been applied consistently is set out below.

#### **Basis of Accounting:**

The financial statements have been prepared under the historical cost convention.

#### **Basis of Preparation:**

The financial statements have been prepared for the year ended 31 March 1996. In accordance with Financial Reporting Standard Number 1 no cash flow statement has been presented as the cash flows of the Company have been included in the group cash flow statement of The National Grid Group plc.

#### **Tangible Fixed Assets and Depreciation:**

Tangible fixed assets are included in the balance sheet at cost less accumulated depreciation. These assets are depreciated using the straight line method.

The estimated useful lives of the assets are:

Long leasehold building - 40 years

Motor vehicles - 5 years.

Computers, software and office equipment - 3 to 10 years.

Assets in the course of construction are not depreciated until commissioned.

#### **Deferred Taxation:**

Deferred taxation, on accelerated capital allowances and other timing differences, is calculated on the liability method and is provided to the extent that a tax liability is expected to become payable in the foreseeable future.

#### **Pensions:**

The cost of providing pensions is charged to the profit and loss account on a systematic basis over the estimated remaining service lives of the employees.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. TURNOVER

Turnover represents the invoiced value of sales to customers, excluding value added tax, plus accrued revenue relating to the provision of Settlement System Administrator's Services.

| 3. OPERATING COSTS      | 1996<br>£'000 | 1995<br>£'000 |
|-------------------------|---------------|---------------|
| Depreciation            | 3,086         | 5,022         |
| Payroll costs (note 4)  | 4,333         | 4,255         |
| Other operating charges | 28,621        | 26,130        |
|                         | <u>36,040</u> | <u>35,407</u> |

Other operating charges include auditors' remuneration of £9,000 (1995 - £8,500) consisting of: statutory audit fees of £8,000 (1995 - £7,500) and other services of £1,000 (1995 - £1,000).

| 4. PAYROLL COSTS AND EMPLOYEES        | 1996<br>£'000 | 1995<br>£'000 |
|---------------------------------------|---------------|---------------|
| a) Payroll costs:                     |               |               |
| Wages and salaries                    | 3,088         | 2,995         |
| Social security costs                 | 244           | 264           |
| Other pension costs                   | 234           | 277           |
| Severance costs                       | 767           | 977           |
|                                       | <u>4,333</u>  | <u>4,513</u>  |
| Less amounts capitalised              | -             | (258)         |
|                                       | <u>4,333</u>  | <u>4,255</u>  |
|                                       | <u>1996</u>   | <u>1995</u>   |
|                                       | Number        | Number        |
| b) Average number of persons employed | 101           | 114           |

Substantially all the employees are employed either directly or indirectly in the operation and maintenance of the Settlement System. All the contracts of employment are with The National Grid Company plc.

## NOTES TO THE FINANCIAL STATEMENTS

|  |                     |                   |
|--|---------------------|-------------------|
| <b>5. DIRECTORS' EMOLUMENTS</b>  | <b>1996</b>         | <b>1995</b>       |
|  | <b>£'000</b>        | <b>£'000</b>      |
| Remuneration for services  | 18                  | 69                |
| Pension  | -                   | 12                |
|  | <u>18</u>           | <u>81</u>         |
|  | <u><u>18</u></u>    | <u><u>81</u></u>  |
| The Chairman did not receive any emoluments in respect of his duties as Chairman of the Company.   |                     |                   |
| The emoluments, excluding pension contributions, of the highest paid director.   |                     |                   |
|  | 18                  | 69                |
|  | <u>18</u>           | <u>69</u>         |
| The emoluments excluding pension contributions of all directors were within the following bands:   |                     |                   |
|  | <b>1996</b>         | <b>1995</b>       |
|  | <b>Number</b>       | <b>Number</b>     |
| £nil - £5,000  | 5                   | 4                 |
| £15,001 - £20,000  | 1                   | 0                 |
| £65,001 - £70,000  | 0                   | 1                 |
|  | <u>6</u>            | <u>5</u>          |
|  | <u><u>6</u></u>     | <u><u>5</u></u>   |
| The emoluments of five directors are paid by a group undertaking and are deemed by them to be wholly attributable to their service to that undertaking. Accordingly, no details in respect of their emoluments have been included in these financial statements. |                     |                   |
| <b>6. NET INTEREST</b>   | <b>1996</b>         | <b>1995</b>       |
|  | <b>£'000</b>        | <b>£'000</b>      |
| Interest receivable from a group undertaking   | -                   | 484               |
| Interest payable to a group undertaking  | -                   | (55)              |
| Other Interest payable   | (107)               | -                 |
|  | <u>(107)</u>        | <u>-</u>          |
|  | <u><u>(107)</u></u> | <u><u>429</u></u> |

## NOTES TO THE FINANCIAL STATEMENTS

| 7. TAXATION   | 1996              | 1995              |
|---|-------------------|-------------------|
|   | £'000             | £'000             |
| UK corporation tax at 33% (1995 - 33%)                    | 1,444             | 1,492             |
|   | <u>          </u> | <u>          </u> |
|   |                   |                   |
| 8. DIVIDEND   | 1996              | 1995              |
|   | £'000             | £'000             |
| Interim dividend of 25.00p per share                      | 2,500             | -                 |
| Proposed final dividend of NIL (1995 - 10.23p. per share) | -                 | 1,023             |
|   | <u>          </u> | <u>          </u> |
|   | 2,500             | 1,023             |
|   | <u>          </u> | <u>          </u> |

## NOTES TO THE FINANCIAL STATEMENTS

### 9. TANGIBLE FIXED ASSETS

|                                     | Long<br>leasehold<br>building<br>£'000 | Motor<br>vehicles<br>£'000 | Computers,<br>software<br>& office<br>equipment<br>£'000 | Assets in<br>the course of<br>construction<br>£'000 | Total<br>£'000    |
|-------------------------------------|--|----------------------------|--|---|-------------------|
| Cost:                               |  |                            |  |   |                   |
| At 1 April 1995                     | 2,065                                  | 139                        | 21,074   | 532   | 23,810            |
| Capital expenditure                 | -                                      | 21                         | 384  | -   | 405               |
| Re-classification                   | -                                      | -                          | 532  | (532)   | -                 |
| Disposals                           | -                                      | (26)                       | (8,415)  | -   | (8,441)           |
| Transfers to<br>a group undertaking | -                                      | (16)                       | -  | -   | (16)              |
|                                     | <u>          </u>                      | <u>          </u>          | <u>          </u>  | <u>          </u>                                   | <u>          </u> |
| At 31 March 1996                    | 2,065                                  | 118                        | 13,575   | -   | 15,758            |
|                                     | <u>          </u>                      | <u>          </u>          | <u>          </u>  | <u>          </u>                                   | <u>          </u> |
| Depreciation:                       |  |                            |  |   |                   |
| At 1 April 1995                     | 57                                     | 51                         | 12,854   | -   | 12,962            |
| Charge for year                     | 92                                     | 37                         | 2,957  | -   | 3,086             |
| Disposals                           | -                                      | (12)                       | (8,329)  | -   | (8,341)           |
| Transfers to<br>a group undertaking | -                                      | (16)                       | -  | -   | (16)              |
|                                     | <u>          </u>                      | <u>          </u>          | <u>          </u>  | <u>          </u>                                   | <u>          </u> |
| At 31 March 1996                    | 149                                    | 60                         | 7,482  | -   | 7,691             |
|                                     | <u>          </u>                      | <u>          </u>          | <u>          </u>  | <u>          </u>                                   | <u>          </u> |
| Net book value:                     |  |                            |  |   |                   |
| At 31 March 1996                    | 1,916                                  | 58                         | 6,093  | -   | 8,067             |
|                                     | <u>          </u>                      | <u>          </u>          | <u>          </u>  | <u>          </u>                                   | <u>          </u> |
| At 31 March 1995                    | 2,008                                  | 88                         | 8,220  | 532   | 10,848            |
|                                     | <u>          </u>                      | <u>          </u>          | <u>          </u>  | <u>          </u>                                   | <u>          </u> |

## NOTES TO THE FINANCIAL STATEMENTS

|  |                   |                   |
|--|-------------------|-------------------|
| <b>10. DEBTORS</b>   | 1996<br>£'000     | 1995<br>£'000     |
| Trade debtors  | 4,256             | 2,466             |
| Amounts owed by a group undertaking                        | 3,269             | -                 |
| Prepayments and accrued income                             | 3,524             | 5,039             |
|  | <u>11,049</u>     | <u>7,505</u>      |
| <b>11. CREDITORS (amounts falling due within one year)</b> | 1996<br>£'000     | 1995<br>£'000     |
| Trade creditors and accruals                               | 12,223            | 10,475            |
| Amounts owed to a group undertaking                        | -                 | 169               |
| Corporation tax  | 1,360             | 1,514             |
| Proposed dividend  | -                 | 1,023             |
|  | <u>13,583</u>     | <u>13,181</u>     |
| <b>12. SHARE CAPITAL</b>                                   | 1996              | 1995              |
| Authorised, allotted, called-up and fully paid:            |                   |                   |
| Ordinary shares of   | £1 each           | £1 each           |
| Number of shares   | <u>10,000,000</u> | <u>10,000,000</u> |

## NOTES TO THE FINANCIAL STATEMENTS

|   |              |              |
|---|--------------|--------------|
| <b>13. MOVEMENT IN SHAREHOLDERS' FUNDS</b>    | <b>1996</b>  | <b>1995</b>  |
|   | <b>£'000</b> | <b>£'000</b> |
| Profit on ordinary activities after taxation  | 1,430        | 1,023        |
| Dividend                                      | (2,500)      | (1,023)      |
|   | <hr/>        | <hr/>        |
| Net decrease in shareholders' funds           | (1,070)      | -            |
| Shareholders' funds at the start of the year  | 11,144       | 11,144       |
|   | <hr/>        | <hr/>        |
| Shareholders' funds as at the end of the year | 10,074       | 11,144       |
|   | <hr/>        | <hr/>        |
| <b>14. CAPITAL COMMITMENTS</b>                | <b>1996</b>  | <b>1995</b>  |
|   | <b>£'000</b> | <b>£'000</b> |
| Contracted for but not provided               | NIL          | 46           |
|   | <hr/>        | <hr/>        |
| <b>15. PENSIONS</b>                           |              |              |

Most of The National Grid Company Group's employees are entitled to join the Electricity Supply Pension Scheme ("the Scheme") which provides pension and other related benefits based on final pensionable pay to employees throughout the Electricity Supply Industry. The assets of the Scheme are held in a separate trustee administered fund.

The details of the latest actuarial valuation are contained in the financial statements of The National Grid Group plc.

The pension cost to the company for the year was £234,000 (1995 - £277,000).

## **16. ULTIMATE HOLDING COMPANY**

The ultimate holding company is The National Grid Group plc and the immediate holding company for which consolidated financial statements are prepared is The National Grid Company plc. Both companies are incorporated in Great Britain.

Copies of their consolidated financial statements can be obtained from the Group Company Secretary at National Grid House, Kirby Corner Road, Coventry, CV4 8JY.