

REGISTERED NUMBER : 2444282

**ENERGY SETTLEMENTS AND INFORMATION SERVICES
LIMITED**

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 MARCH 1995**



ENERGY SETTLEMENTS AND INFORMATION SERVICES LIMITED
REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1995

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ENERGY SETTLEMENTS AND INFORMATION SERVICES LIMITED

REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR

ENDED 31 MARCH 1995

1. The Directors present their report and the audited financial statements for the financial year ended 31 March 1995.

Principal Activities

2. The Company is a wholly owned subsidiary of The National Grid Company plc ("NGC"). 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. During the year the Company has negotiated 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 directors have decided that the business has a capability to diversify into business areas other than the "SSA", providing services to both existing and new customers.

Results and Dividends

7. Profit before taxation was £2,515,000 (1994 - £2,507,000). The charge for taxation was £1,492,000 (1994 - £819,000), which left profit after taxation for the year of £1,023,000 (1994 - £1,688,000).
8. The Directors recommend the payment of a dividend in respect of the year ended 31 March 1995 of 10.23p per share (1994 - 16.88p per share). The Directors do not

propose to transfer any of the profit to reserves.

Tangible Fixed Assets

9. Changes in tangible fixed assets are disclosed in Note 9 to the financial statements.

Directors

10. The following were Directors during the year:

D. H. Jones (Chairman)
D. H. Elsey
G. K. James - appointed as Director on 1st January 1995
T. A. Malins - resigned as Director on 31st December 1994
P.N. Milner - appointed as Director on 6th December 1994

Directors' Interests in Shares

11. At 31 March 1995 and on 1 April 1994, the interests of the 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 of 10p each in The National Grid Holding plc

Executive Share Options

	1 April 1994 (or on <u>appointment</u>)	Exercised <u>in year</u>	31 March <u>1995</u>
D. H. Jones	65,100	-	65,100
D. H. Elsey	39,700	15,800	23,900
P.N. Milner	-	-	-
G K James	-	-	-

Beneficial Interests in Shares

	1 April 1994 (or on <u>appointment</u>)	31 March <u>1995</u>
D. H. Jones	-	-
D. H. Elsey	-	9,313
P.N. Milner	-	-
G K James	-	-

Transactions with Directors

12. 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

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

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
8 JUNE 1995**

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.

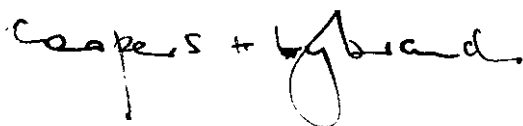
Basis of Opinion

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 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read 'Coopers & Lybrand', is written in a cursive style.

Coopers & Lybrand
Chartered Accountants and Registered Auditors
London
8 JUNE 1995

**ENERGY SETTLEMENTS AND INFORMATION SERVICES
LIMITED**

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED

31 MARCH 1995

	NOTES	1995 £'000	1994 £'000
TURNOVER - continuing operations	2	37,493	35,146
Operating costs	3	(35,407)	(32,840)
		<hr/>	<hr/>
OPERATING PROFIT - continuing operations		2,086	2,306
Net interest	6	429	201
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,515	2,507
Taxation	7	(1,492)	(819)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,023	1,688
Dividend	8	(1,023)	(1,688)
		<hr/>	<hr/>
RETAINED PROFIT FOR THE YEAR		-	-
Retained profit brought forward		1,144	1,144
		<hr/>	<hr/>
RETAINED PROFIT CARRIED FORWARD		1,144	1,144
		<hr/>	<hr/>

The company has no recognised gains and losses other than the profits above and therefore no separate statement of total gains and losses has been presented.

ENERGY SETTLEMENTS AND INFORMATION SERVICES LIMITED

BALANCE SHEET

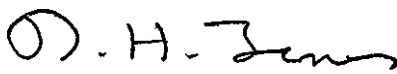
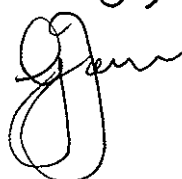
AT 31 MARCH 1995

	NOTES	1995 £'000	1994 £'000
FIXED ASSETS			
Tangible assets	9	10,848	13,423
CURRENT ASSETS			
Debtors	10	7,505	10,542
Cash at bank and in hand		5,972	3,331
		<u>13,477</u>	<u>13,873</u>
CREDITORS (amounts falling due within one year)	11	(13,181)	(14,116)
		<u>296</u>	<u>(243)</u>
NET CURRENT ASSETS/(LIABILITIES)			
TOTAL ASSETS LESS CURRENT LIABILITIES		11,144	13,180
CREDITORS (amounts falling due after more than one year)	12	-	(2,036)
		<u>11,144</u>	<u>11,144</u>
NET ASSETS EMPLOYED			
CAPITAL AND RESERVES			
Share capital	13	10,000	10,000
Profit and loss account		1,144	1,144
		<u>11,144</u>	<u>11,144</u>
EQUITY SHAREHOLDERS' FUNDS			
		<u>11,144</u>	<u>11,144</u>

The financial statements on pages 6 to 14 were approved by the Board of Directors on 8 June 1995 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 from 1 April 1994 to 31 March 1995. 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 Company plc.

Tangible Fixed Assets and Depreciation:

Fixed assets are stated at their historical cost and written off over their estimated useful lives using the straight line method of depreciation.

The estimated useful lives of the assets are:

Long leasehold building - 40 years

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

Motor vehicles - 5 years.

With effect from 1 April 1994 the estimated useful life of certain computing equipment has been reduced from 5 to 3 years. The adoption of this revised asset life has had no material effect on the depreciation charge.

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:

Contributions to the Electricity Supply Pension Scheme are assessed by a qualified actuary. The charges to the profit and loss account are made on a systematic basis over the estimated 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, which will be recovered next year.

3. OPERATING COSTS

	1995 £'000	1994 £'000
Depreciation	5,022	5,496
Payroll costs (note 4)	4,255	2,633
Other operating charges	26,130	24,711
	<hr/>	<hr/>
	35,407	32,840
	<hr/>	<hr/>

Other operating charges include auditors' remuneration of £8,500 (1994 - £1,414,921) consisting of: statutory audit fees of £7,500 (1994 - £5,600); Settlement System audit of £nil (1994 - £1,282,868); and other services of £1,000 (1994 - £126,453).

4. PAYROLL COSTS AND EMPLOYEES

	1995 £'000	1994 £'000
a) Payroll costs:		
Wages and salaries	2,995	2,797
Social security costs	264	232
Other pension costs	277	253
Severance costs	977	-
	<hr/>	<hr/>
	4,513	3,282
Less amounts capitalised	(258)	(649)
	<hr/>	<hr/>
	4,255	2,633
	<hr/>	<hr/>
	1995 Number	1994 Number
b) Average number of persons employed	114	106
	<hr/>	<hr/>

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

5. DIRECTORS' EMOLUMENTS	1995	1994
	£'000	£'000
Remuneration including pension contributions	81	90
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.	69	82
The emoluments excluding pension contributions of all directors were within the following bands:	1995	1994
	Number	Number
£nil - £5,000	4	3
£65,001 - £70,000	1	0
£80,001 - £85,000	0	1
	5	4

The emoluments of three directors are paid by the Parent 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.

6. NET INTEREST	1995	1994
	£'000	£'000
Interest payable to Parent undertaking	(55)	(173)
Interest receivable from Parent undertaking	484	374
	429	201

NOTES TO THE FINANCIAL STATEMENTS

7. TAXATION	1995	1994
	£'000	£'000
UK corporation tax at 33% (1994 - 33%)	1,492	1,112
Adjustments in respect of previous years	-	(293)
	<u>1,492</u>	<u>819</u>
	<u><u>1,492</u></u>	<u><u>819</u></u>

The taxation charge for the year has been increased by £673,000 (1994 - £274,000) in respect of excess depreciation over tax allowances and other timing differences.

8. DIVIDEND	1995	1994
	£'000	£'000
Proposed dividend of 10.23p per share (1994 - 16.88p per share)	1,023	1,688
	<u>1,023</u>	<u>1,688</u>
	<u><u>1,023</u></u>	<u><u>1,688</u></u>

NOTES TO THE FINANCIAL STATEMENTS

9. TANGIBLE FIXED ASSETS

	Long leasehold building £'000	Motor vehicles £'000	Computers, software & office equipment £'000	Assets in the course of construction £'000	Total £'000
Cost:					
At 1 April 1994	1,970	159	23,335	-	25,464
Capital expenditure	95	49	1,883	532	2,559
Disposals	-	(63)	(4,146)	-	(4,209)
Transfers to Parent Undertaking	-	(6)		-	(6)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 1995	2,065	139	21,072	532	23,808
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation:					
At 1 April 1994	28	15	11,998	-	12,041
Charge for year	29	88	4,905	-	5,022
Disposals	-	(49)	(4,051)	-	(4,100)
Transfers to Parent Undertaking	-	(3)	-	-	(3)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 1995	57	51	12,852	-	12,960
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net Book Value:					
At 31 March 1995	2,008	88	8,220	532	10,848
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 1994	1,942	144	11,337	-	13,423
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

10. DEBTORS	1995 £'000	1994 £'000
Trade debtors	2,466	3,814
Amounts due from Parent undertaking	-	984
Prepayments and accrued income	5,039	5,744
	<hr/>	<hr/>
	7,505	10,542
	<hr/>	<hr/>
11. CREDITORS (amounts falling due within one year)	1995 £'000	1994 £'000
Trade creditors and accruals	10,475	10,734
Amounts owed to Parent undertaking	169	-
Corporation tax	1,514	1,694
Proposed dividend	1,023	1,688
	<hr/>	<hr/>
	13,181	14,116
	<hr/>	<hr/>
12. CREDITORS (amounts falling due after more than one year)	1995 £'000	1994 £'000
Loans due to Parent undertaking repayable as follows:		
On 3 December 2002 - fixed rate interest at 10% pa	-	1,036
On 11 March 2004 - 0.5% above six month LIBOR rate	-	1,000
	<hr/>	<hr/>
	-	2,036
	<hr/>	<hr/>

During the year the Company repaid its loans to the Parent undertaking.

13. SHARE CAPITAL

Authorised, allotted, called-up and fully paid, 10,000,000 Ordinary shares of £1 each.

NOTES TO THE FINANCIAL STATEMENTS

14. MOVEMENT IN SHAREHOLDERS' FUNDS	1995	1994
	£'000	£'000
Profit for the year	1,023	1,688
Dividend for the year	(1,023)	(1,688)
	<hr/>	<hr/>
Net increase in shareholders' funds	-	-
Shareholders' funds at 1 April 1994	11,144	11,144
	<hr/>	<hr/>
Shareholders' funds as at 31 March 1995	11,144	11,144
	<hr/>	<hr/>
15. CAPITAL COMMITMENTS	1995	1994
	£'000	£'000
Contracted for but not provided	46	47
Authorised but not yet contracted	840	2,485
	<hr/>	<hr/>
	886	2,532
	<hr/>	<hr/>
16. PENSIONS		

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 Company plc.

The pension cost to the company for the year was £277,000 (1994 - £253,000).

17. ULTIMATE HOLDING COMPANY

The ultimate holding company is The National Grid Holding 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 and registered in England and Wales.

Copies of their consolidated financial statements can be obtained from the Group Company Secretariat at 185 Park Street, LONDON, SE1 9DY.