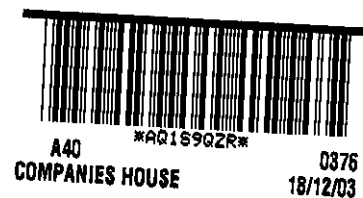


**NATIONAL GRID (US) HOLDINGS LIMITED**

**REPORT OF THE DIRECTORS**

**AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2003**



**REGISTERED NUMBER: 2630496**

# **NATIONAL GRID (US) HOLDINGS LIMITED**

## **REPORT OF THE DIRECTORS**

### **FOR THE YEAR ENDED 31 MARCH 2003**

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2003.

#### **PRINCIPAL ACTIVITY**

The Company is an investment company.

#### **RESULTS AND DIVIDENDS**

The profit for the year after taxation was £134,413,000 (2002: £776,241,000) which has been transferred to reserves. Dividends of £107,990,000 have been paid during the year and the directors do not recommend payment of a final dividend (2002: total dividends £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	(Resigned 30 November 2002)
CRA Carter	(Resigned 29 November 2002)
MD O'Donovan	(Resigned 20 December 2002)
FB Smith	(Resigned 31 December 2002)
RJ Urwin	
AB Chapman	(Appointed 20 December 2002)
MC Cooper	(Appointed 20 December 2002)
SC Lucas	(Appointed 14 January 2003)
SF Noonan	(Appointed 20 December 2002)
RF Pettifer	(Appointed 20 December 2002)

# **NATIONAL GRID (US) HOLDINGS LIMITED**

## **REPORT OF THE DIRECTORS (continued)**

**FOR THE YEAR ENDED 31 MARCH 2003**

### **DIRECTORS' INTERESTS IN SHARES**

The interests of RJ Urwin and SC Lucas at 31 March 2003 in Group companies are disclosed in the financial statements of the ultimate parent undertaking, National Grid Transco plc. The interests of the other 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.

# **NATIONAL GRID (US) HOLDINGS LIMITED**

## **REPORT OF THE DIRECTORS (continued)**

**FOR THE YEAR ENDED 31 MARCH 2003**

### **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.

### **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.

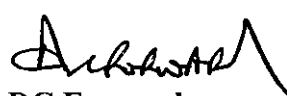
The directors are responsible for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They also have general responsibility for 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**

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**



**DC Forward**  
Secretary  
16 October 2003

### **REGISTERED OFFICE**

1-3 THE STRAND  
LONDON  
WC2N 5EH

# **NATIONAL GRID (US) HOLDINGS LIMITED**

## **INDEPENDENT AUDITORS REPORT TO**

### **THE MEMBERS OF NATIONAL GRID (US) HOLDINGS 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 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.

**NATIONAL GRID (US) HOLDINGS LIMITED**

**INDEPENDENT AUDITORS REPORT TO**

**THE MEMBERS OF NATIONAL GRID (US) HOLDINGS LIMITED (continued)**

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

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

**PricewaterhouseCoopers LLP**

Chartered Accountants and Registered Auditors

London

16 October 2003

**NATIONAL GRID (US) HOLDINGS LIMITED**

**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 MARCH 2003**

	Notes	<b>2003</b> <b>£'000</b>	<b>2002</b> <b>£'000</b>
Operating income/(costs)	3	177,796	(24,594)
<b>Operating profit/(loss)</b>		<hr/> 177,796	<hr/> (24,594)
(Loss)/profit on sale of fixed asset investments	5	(5)	818,219
Interest receivable from a Group undertaking		61,935	122,070
Interest payable to Group undertakings		(47,705)	(157,070)
<b>Profit on ordinary activities before taxation</b>		<hr/> 192,021	<hr/> 758,625
Taxation	4	(57,608)	17,616
<b>Profit on ordinary activities after taxation</b>		<hr/> 134,413	<hr/> 776,241
Dividends		(107,990)	-
<b>Profit for the year transferred to reserves</b>	7	<hr/> <b>26,423</b>	<hr/> <b>776,241</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 (US) HOLDINGS LIMITED

## BALANCE SHEET

AT 31 MARCH 2003

	Notes	2003 £'000	2002 £'000
<b>Fixed assets</b>			
Investments	5	2,061,707	2,061,735
<b>Current assets</b>			
Amounts owed by Group undertakings		17,639	3,810,533
Cash at bank		2	30
		<hr/> 17,641	<hr/> 3,810,563
<b>Creditors: amounts falling due within one year</b>			
Amounts owed to Group undertakings		(238,701)	(4,058,074)
		<hr/> (221,060)	<hr/> (247,511)
<b>Net current liabilities</b>			
		<hr/> 1,840,647	<hr/> 1,814,224
<b>Net assets employed</b>			
<b>Capital &amp; reserves</b>			
Called up share capital	6	931	931
Share premium account	7	1,060,681	1,060,681
Profit and loss account	7	779,035	752,612
<b>Equity shareholders' funds</b>	8	<hr/> 1,840,647	<hr/> 1,814,224

The financial statements on pages 6 to 11 were approved by the board of directors on 16 October 2003 and signed on its behalf by:



**SF Noonan**  
Director



# **NATIONAL GRID (US) HOLDINGS 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**

The financial statements present information about the Company not its group. 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 Transco plc and is included within the consolidated accounts of that company.

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.

#### **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 or, if hedged, at the rates of exchange under the related contract. These exchange differences are dealt with in the profit and loss account.

### **2 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.

# NATIONAL GRID (US) HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 3 Operating income/(costs)

	2003 £'000	2002 £'000
Foreign exchange adjustments arising on loans with Group undertakings	177,796	(24,594)
	<u>177,796</u>	<u>(24,594)</u>

Audit fees for the year ended 31 March 2003 and 31 March 2002 are borne by the ultimate parent undertaking.

### 4 Taxation

	2003 £'000	2002 £'000
UK corporation tax at 30%/(group relief receivable)	<u>57,608</u>	<u>(17,616)</u>

A reconciliation of the UK corporation tax rate to the effective tax rate of the Company is as follows:

	%	%
UK corporate tax rate	30	30
Decrease resulting from:		
Foreign exchange gains and losses	-	-
Non taxable profits	-	(32)
	<u>30</u>	<u>(2)</u>

The corporation tax payable has been reduced by £57,608,000 because of group relief receivable from Group undertakings for which a payment of £57,608,000 will be made. During the year ended 31 March 2002 the Company surrendered tax losses of £58,720,000 to fellow Group undertakings for consideration of £17,616,000.

# NATIONAL GRID (US) HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 5 Fixed asset investments

	Shares in Group undertakings £'000
<b>Cost and net book value</b>	
At 1 April 2002	2,061,735
Disposals	(28)
	<hr/>
At 31 March 2003	<u><u>2,061,707</u></u>

The fixed asset investments at 31 March 2002 included the whole of the ordinary share capital of National Grid Luxembourg 1 Sarl and National Grid Luxembourg 2 Sarl. These companies were disposed of during the year, giving rise to an exceptional loss of £5,000.

At 31 March 2003, the fixed asset investments of the Company represented the whole of the ordinary share capital of the following companies:

	<b>Incorporated</b>
National Grid (US) Investments 2	Great Britain
National Grid (US) Investments 4	Great Britain

The principal activity of these companies is that of an investment company.

### 6 Share capital

Ordinary shares of £1 each	2003		2002	
	Number	£'000	Number	£'000
<b>Authorised</b>	<u>1,000,000</u>	<u>1,000</u>	<u>1,000,000</u>	<u>1,000</u>
<b>Allotted, called up and fully paid</b>	<u>931,252</u>	<u>931</u>	<u>931,252</u>	<u>931</u>

# NATIONAL GRID (US) HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 7 Reserves

	Share premium account £'000	Profit and loss account £'000
At 1 April 2002	1,060,681	752,612
Profit for the year transferred to reserves	-	26,423
<b>At 31 March 2003</b>	<b>1,060,681</b>	<b>779,035</b>

### 8 Reconciliation of movement in equity shareholders' funds

	2003 £'000	2002 £'000
Profit on ordinary activities after taxation	134,413	776,241
Dividends	(107,990)	-
	26,423	776,241
Issue of ordinary shares	-	1,061,270
Net increase in equity shareholders' funds	26,423	1,837,511
Opening equity shareholders' funds	1,814,224	(23,287)
<b>Closing equity shareholders' funds</b>	<b>1,840,647</b>	<b>1,814,224</b>

### 9 Related party transactions and 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 and immediate parent and controlling company is National Grid Transco plc, for which consolidated financial statements are prepared. This company is incorporated in Great Britain.

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