

National Grid Unaudited September 2004 IFRS comparatives

Introduction

With effect from 1 April 2005, National Grid plc (formerly National Grid Transco plc) is required to report its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). The first results required to be published under IFRS will cover the six month period ending 30 September 2005 and are scheduled to be reported in November 2005. The first full set of financial statements to be published under IFRS will cover the year ending 31 March 2006.

The IFRS conversion statement published on 29 July 2005 set out the impact of conversion from UK generally accepted accounting principles (UK GAAP) to IFRS on the primary statements and selected notes for the comparative information for the year ended 31 March 2005 to be included in the financial statements for the year ending 31 March 2006. That statement is also available from this website (www.nationalgrid.com).

This unaudited September 2004 IFRS comparatives statement sets out the impact of conversion from UK GAAP to IFRS on the primary statements and selected notes for the six months ended 30 September 2004, to be included as comparative information in our interim results announcement for the six months ended 30 September 2005 scheduled to be reported in November 2005. This unaudited September 2004 IFRS comparatives statement should be read in conjunction with the IFRS conversion statement published on 29 July 2005.

30 September 2005

Note

IFRS is subject to interpretation by the International Financial Reporting Interpretations Committee. Further standards may be issued that need to be adopted for the year ending 31 March 2006 or subsequently. Also, the number of new and revised standards within IFRS means that there is not yet a significant established practice from which to draw conclusions on the application and interpretation of IFRS. In addition this statement has not been audited nor has it been reviewed by the external auditors. As a consequence, there is a possibility that the comparatives included in the interim results for the six months ending 30 September 2005 may differ from the amounts presented in this unaudited September 2004 IFRS comparatives statement.

The financial information set out in this unaudited September 2004 IFRS comparatives statement relates to the six months ended 30 September 2004 and does not constitute statutory accounts for that period. Full audited accounts of National Grid plc in respect of the year ended 31 March 2005 were prepared in accordance with UK GAAP (which received an unqualified audit opinion and did not contain a statement under either section 237(2) or (3) of the Companies Act 1985) and have been delivered to the Registrar of Companies.

National Grid

Unaudited September 2004 IFRS comparatives

GROUP INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

	Notes	£m
Group revenue	2a	3,378
Other operating income		20
Operating costs		(2,440)
Operating profit		
- Before exceptional items and remeasurements	2b	1,030
- Exceptional items and remeasurements	3	(72)
	2c	958
Net finance costs		(334)
Share of post-tax results of joint ventures		1
Profit before taxation		
- Before exceptional items and remeasurements		697
- Exceptional items and remeasurements		(72)
		625
Taxation		
- Before exceptional items and remeasurements		(204)
- Exceptional items and remeasurements	3	27
		(177)
Profit for the period from continuing operations		
- Before exceptional items and remeasurements		493
- Exceptional items and remeasurements		(45)
		448
Profit for the period from discontinued operations		
- Before exceptional items	4	82
- Exceptional items	4	(26)
	4	56
Profit for the period - attributable to equity shareholders		504
Earnings per share from continuing operations		
- Basic		14.5p
- Diluted		14.5p
Earnings per share		
- Basic		16.4p
- Diluted		16.4p

National Grid

Unaudited September 2004 IFRS comparatives

GROUP BALANCE SHEET AT 30 SEPTEMBER 2004

	£m
	=====
Non-current assets	
Goodwill	2,097
Other intangible assets	337
Property, plant and equipment	22,403
Investments in joint ventures	19
Deferred tax assets	437
Other receivables	108
Available for sale investments	135

Total non-current assets	25,536

Current assets	
Inventories	158
Trade and other receivables	1,098
Financial investments	307
Cash and cash equivalents	381

Total current assets	1,944

Total assets	27,480

Current liabilities	
Bank overdrafts	(28)
Borrowings	(3,310)
Trade and other payables	(2,029)
Current tax liabilities	(110)
Provisions	(229)

Total current liabilities	(5,706)

Non-current liabilities	
Borrowings	(11,941)
Other non-current liabilities	(2,551)
Deferred tax liabilities	(3,049)
Pensions and other post-retirement benefit obligations	(2,493)
Provisions	(447)

Total non-current liabilities	(20,481)

Total liabilities	(26,187)

Net assets employed	1,293
	=====
Capital and reserves	
Called up share capital	309
Share premium account	1,283
Retained earnings	4,804
Other reserves	(5,114)

Total shareholders' equity	1,282
Minority interests	11

Total equity	1,293
	=====
Net debt included above	14,591

Net debt at 30 September 2004 has not been adjusted to reflect the impact of International Accounting Standards Nos. 32 and 39 on Financial Instruments (IAS32 and IAS39), which have been adopted by the Group from 1 April 2005 onwards only.

National Grid

Unaudited September 2004 IFRS comparatives

GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

	£m
	=====
Exchange adjustments on translation of foreign operations (net of tax)	17
Actuarial gains and losses (net of tax)	38

Net income recognised directly in equity	55
Profit for the period	504

Total recognised income and expense for the period	559
	=====

GROUP MOVEMENTS IN EQUITY FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

	£m
	=====
Opening total equity	1,084
Changes in equity for the period	
Net income recognised directly in equity	55
Profit for the period	504
Dividends	(366)
Issue of share capital	3
Movement in shares held in employee share trusts	4
Employee option scheme issues (net of tax)	9

Closing total equity	1,293
	=====

National Grid

Unaudited September 2004 IFRS comparatives

GROUP CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

	£m
	=====
Cash flows from operating activities	
Total operating profit	958
Adjustments for:	
Exceptional items and remeasurements	72
Depreciation and amortisation	394
Share based payment charge	9
Changes in working capital	(365)
Changes in provisions	(4)
Changes in retirement and other post-retirement benefit obligations	(20)

Cash flows before exceptional items – continuing operations	1,044
Cash flows relating to exceptional items	(76)
Cash flows relating to discontinued operations	149

Cash generated from operations	1,117
Tax paid – continuing operations	(67)
Tax paid – discontinued operations	(58)

Net cash inflow from operating activities	992

Cash flows from investing activities	
Acquisition of subsidiaries, net of cash acquired	(1,104)
Sale of investments	11
Purchases of intangible assets	(25)
Purchases of property, plant and equipment	(717)
Disposals of property, plant and equipment	8
Net movements in financial investments	25
Dividends received from joint ventures	3

Cash flows used in continuing operations investing activities	(1,799)
Cash flows relating to discontinued operations	(201)

Net cash used in investing activities	(2,000)

Cash flows from financing activities	
Proceeds from issue of share capital	3
Net increase in borrowings	1,860
Net interest paid	(383)
Dividends paid to shareholders	(366)

Net cash used in financing activities	1,114

Net increase in cash and cash equivalents	106
Cash and cash equivalents at start of period (i)	247

Cash and cash equivalents at end of period (i)	353
	=====

(i) Net of bank overdrafts.

National Grid

Unaudited September 2004 IFRS comparatives

NOTES TO THE SEPTEMBER 2004 IFRS COMPARATIVES STATEMENT

1. Basis of preparation

The financial information contained in this unaudited September 2004 IFRS comparatives statement does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The statutory accounts for the year ended 31 March 2005 were prepared under UK Generally Accepted Accounting Principles (UK GAAP), which have been delivered to the Registrar of Companies. The auditors' report on those statutory accounts was unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

The financial information in respect of the six months ended 30 September 2004 included in this unaudited September 2004 IFRS comparatives statement has been prepared in accordance with the principles of International Financial Reporting Standards (IFRS). It has been prepared on the basis of the provisional accounting policies expected to be applied in the financial statements for the year ending 31 March 2006, as set out in the Group's IFRS conversion statement for the year ended 31 March 2005, which was published on 29 July 2005. This unaudited September 2004 IFRS comparatives statement should be read in conjunction with that announcement which is available from the Group's website on www.nationalgrid.com. All descriptions used in that announcement have the same meaning when used in this statement unless stated otherwise.

The Group adopted IFRS with effect from 1 April 2004 (the adoption date), except in respect of IAS 32 and IAS 39 on Financial Instruments, which were adopted with effect from 1 April 2005, in accordance with the transition provisions of IFRS 1. As a result, the comparative amounts for the six months ended 30 September 2004 exclude the effect of IAS 32 and IAS 39. A reconciliation of profit for the period for the six months ended 30 September 2004 and net assets at 30 September 2004 from UK GAAP to IFRS is included in Appendix 1.

2. Segmental analysis

Segmental information is presented in accordance with the management responsibilities and economic characteristics, including consideration of risks and returns, of the Group's business activities. The following table describes the main activities for each business segment:

UK electricity and gas transmission	High-voltage electricity transmission networks, the gas National Transmission System in the UK, UK liquefied natural gas storage activities and the Scottish and French electricity interconnectors
US electricity transmission	High-voltage electricity transmission networks and management of electricity transmission operations for other utilities in the US
UK gas distribution	Four of the eight regional networks of Britain's gas distribution system
US electricity and gas distribution	Electricity and gas distribution in New York and electricity distribution in New England
US stranded cost recoveries	The recovery of stranded costs from US customers as permitted by regulatory agreements
Wireless infrastructure	Broadcast and mobile telephony infrastructure in the UK and US

Continuing operations - other activities primarily relates to UK based gas metering activities and the Group's energy technology and systems solutions business.

UK liquefied natural gas storage activities and the Scottish and French electricity interconnectors are included within UK electricity and gas transmission, having previously been reported within other activities. This change in segmental presentation follows a change in the organisational and management structure within the Group and the change in regulatory arrangements for the Scottish interconnector following the introduction of British Electricity Trading and Transmission Arrangements (BETTA). The impact on the segment results for the six months ended 30 September 2004 has been reflected in the following segmental analysis. The impact of this change on segment results for the year ended 31 March 2005 was to increase UK electricity and gas transmission revenue by £65 million and operating profit by £42 million, to reduce other activities revenue by £110 million and operating profit by £42 million and to reduce intra-group revenue eliminations by £45 million. There was no difference between the impact on operating profit before exceptional items and remeasurements and that for operating profit after exceptional items and remeasurements.

Discontinued operations comprise the operations of the four gas distribution networks that the Group sold on 1 June 2005 and the results of Citelec, an Argentinian joint venture sold in August 2004.

The Group assesses the performance of its businesses principally on the basis of operating profit before exceptional items and remeasurements. The Group's primary reporting format is by business and the secondary reporting format is by geographical area.

National Grid

Unaudited September 2004 IFRS comparatives

2. Segmental analysis (continued)

a) Group revenue

Six months ended 30 September 2004

	£m
	=====
<i>Continuing operations</i>	
UK electricity and gas transmission	900
US electricity transmission	149
UK gas distribution	405
US electricity and gas distribution	1,449
US stranded cost recoveries	257
Wireless infrastructure	52
Other activities	379
Sales between businesses	(213)

Group revenue	3,378
	=====
<i>Continuing operations</i>	
UK	1,529
US	1,849

Group revenue	3,378
	=====

b) Operating profit – before exceptional items and remeasurements

Six months ended 30 September 2004

	£m
	=====
<i>Continuing operations</i>	
UK electricity and gas transmission	388
US electricity transmission	70
UK gas distribution	78
US electricity and gas distribution	170
US stranded cost recoveries	247
Wireless infrastructure	8
Other activities	69

Operating profit before exceptional items and remeasurements	1,030

<i>Continuing operations</i>	
UK	541
US	489

Operating profit before exceptional items and remeasurements	1,030
	=====

National Grid

Unaudited September 2004 IFRS comparatives

2. Segmental analysis (continued)

c) Operating profit – after exceptional items and remeasurements

Six months ended 30 September 2004

	£m
	=====
<i>Continuing operations</i>	
UK electricity and gas transmission	388
US electricity transmission	68
UK gas distribution	60
US electricity and gas distribution	150
US stranded cost recoveries	221
Wireless infrastructure	2
Other activities	69

Operating profit after exceptional items and remeasurements	958

Continuing operations	
UK	517
US	441

Operating profit after exceptional items and remeasurements	958
	=====

3. Exceptional items and remeasurements

Six months ended 30 September 2004

	£m
	=====
<i>Continuing operations</i>	
Exceptional items - restructuring costs	40
Remeasurements	32

Total exceptional items and remeasurements before taxation	72
	=====
Tax on restructuring costs	(15)
Tax on remeasurements	(12)

Tax credit on exceptional items and remeasurements	(27)
	=====

Remeasurements represent mark-to-market movements on commodity contracts, primarily indexed swap contracts in the US.

National Grid

Unaudited September 2004 IFRS comparatives

4. Discontinued operations

On 1 June 2005, the Group disposed of its holding in four of the eight regional gas distribution networks for consideration of £5.8 billion. The results of these operations were previously included within the UK gas distribution segment. The Group disposed of its interest in Citelec, an Argentinian joint venture in August 2004.

Six months ended 30 September 2004

	£m
	=====
Revenues	407
Operating costs	(329)

Operating profit	
- Before exceptional items	125
- Exceptional items	(47)
Total operating profit from discontinued operations	78
Share of post-tax results of joint venture	(5)

Profit before taxation from discontinued operations	73
Taxation	(30)

Profit from discontinued operations	43

Gains on disposal of discontinued operations before and after tax	13

Total profit for the period	
- Before exceptional items	82
- Exceptional items	(26)
Total profit for the period from discontinued operations	56
	=====

5. Earnings per share

Six months ended 30 September 2004

	pence
	=====
Adjusted earnings per share – continuing operations	16.0p
Exceptional items	(1.3)p
Tax on exceptional items	0.5p
Remeasurements	(1.1)p
Tax on remeasurements	0.4p

Earnings per share – continuing operations	14.5p
	=====
Adjusted earnings per share – discontinued operations	2.7p
Exceptional items (net of tax)	(0.8)p

Earnings per share – discontinued operations	1.9p
	=====
Earnings per share – total	16.4p
	=====

There is no difference between basic and diluted earnings per share for the six months ended 30 September 2004.

National Grid

Unaudited September 2004 IFRS comparatives

APPENDIX 1 - IFRS ADJUSTMENTS AND RECONCILIATIONS FROM UK GAAP to IFRS

The IFRS conversion statement available on the Group's website www.nationalgrid.com provides reconciliations from UK GAAP to IFRS for net assets as at 1 April 2004, net income for the year ending 31 March 2005 and net assets as at 31 March 2005. Reconciliations from UK GAAP to IFRS for the six months ended 30 September 2004 are provided below:

a) Reconciliation of UK GAAP to IFRS profit for the six months ended 30 September 2004

The following tables show the effect of IFRS measurement and presentation adjustments on profit for the year and net assets measured under UK GAAP as a consequence of applying IFRS measurement principles as compared with UK GAAP:

Six months ended 30 September 2004	£m
Profit for the period before minority interests under UK GAAP	213
IFRS measurement adjustments	
Replacement expenditure	118
Derecognition of regulatory assets	98
Goodwill amortisation	47
Amortisation of intangible assets other than goodwill	(1)
Pensions and other post-retirement benefits	32
Deferred taxation	(4)
Other adjustments	(1)
	289
IFRS presentation adjustments	
Non-equity minority interests	(1)
Share of results of joint ventures	3
	2
Profit for the period under IFRS	504
Less: profit for the year under IFRS – discontinued operations	(56)
Profit for the period under IFRS – continuing operations	448

b) Reconciliation of UK GAAP to IFRS net assets at 30 September 2004

At 30 September 2004	£m
Net assets under UK GAAP	1,295
IFRS measurement adjustments	
Replacement expenditure	2,896
Derecognition of regulatory assets	(1,751)
Goodwill	(42)
Intangible assets other than goodwill	97
Pensions and other post-retirement benefits	(1,328)
Deferred taxation	(88)
Dividends	262
Other adjustments	(9)
	37
IFRS presentation adjustments	
Non-equity minority interests	(39)
Net assets under IFRS	1,293

Amounts shown above are net of any related deferred tax on the underlying IFRS adjustment.

Explanations of the UK GAAP to IFRS adjustments have been provided in the IFRS conversion statement, available on the Group's website on www.nationalgrid.com.