

## Summary Group Financial Information

### Financial summary (unaudited)

The financial summary set out below has been derived from the audited consolidated accounts of National Grid Transco for the three financial years ended 31 March 2003. It should be read in conjunction with the Group accounts and related notes, together with the Operating and Financial Review. It is not practicable to derive the information for years prior to 2001 due to the different year end of Lattice and the fact that Lattice had not been demerged from BG Group for the years ended 31 March 1999 and 2000.

	31 March 2003 £m	31 March 2002 £m	31 March 2001 £m		
<b>Summary profit and loss account</b>					
<b>Group turnover</b>	<b>9,400</b>	7,554	6,891		
Operating costs	<b>(7,788)</b>	(6,494)	(5,179)		
Operating profit of Group undertakings	<b>1,612</b>	1,060	1,712		
Share of joint ventures' and associate's operating profit/(loss)	<b>124</b>	(701)	(105)		
<b>Operating profit</b>					
– Before exceptional items and goodwill amortisation	<b>2,185</b>	1,783	1,780		
– Exceptional items	<b>(347)</b>	(1,327)	(88)		
– Goodwill amortisation	<b>(102)</b>	(97)	(85)		
	<b>1,736</b>	359	1,607		
Non-operating exceptional items	<b>(99)</b>	156	306		
Net interest					
– Excluding exceptional items	<b>(939)</b>	(657)	(635)		
– Exceptional items	<b>(31)</b>	(142)	–		
<b>Profit/(loss) on ordinary activities before taxation</b>					
	<b>667</b>	(284)	1,278		
Tax on profit on ordinary activities – excluding exceptional items	<b>(373)</b>	(251)	(390)		
Tax on profit on ordinary activities – exceptional items	<b>128</b>	166	243		
<b>Profit/(loss) on ordinary activities after taxation</b>					
	<b>422</b>	(369)	1,131		
Minority interests including exceptional items	<b>(31)</b>	48	(7)		
<b>Profit/(loss) for the year</b>					
	<b>391</b>	(321)	1,124		
<b>Summary statement of net assets</b>					
Fixed assets	<b>18,993</b>	19,635	15,696		
Current assets	<b>5,950</b>	6,568	2,960		
Creditors: amounts falling due within one year	<b>(5,046)</b>	(4,888)	(4,034)		
Net current assets/(liabilities)	<b>904</b>	1,680	(1,074)		
Total assets less current liabilities	<b>19,897</b>	21,315	14,622		
Creditors: amounts falling due after more than one year	<b>(14,255)</b>	(14,868)	(9,793)		
Provisions for liabilities and charges	<b>(4,406)</b>	(4,663)	(3,434)		
<b>Net assets</b>					
	<b>1,236</b>	1,784	1,395		
<b>Summary cash flow statement</b>					
Net cash inflow from operating activities before exceptional items	<b>3,154</b>	2,394	2,482		
Expenditure relating to exceptional items	<b>(328)</b>	(103)	(129)		
<b>Net cash inflow from operating activities</b>					
	<b>2,826</b>	2,291	2,353		
Dividends from joint ventures	<b>11</b>	13	20		
Net cash outflow for returns on investments and servicing of finance	<b>(912)</b>	(705)	(691)		
Net cash outflow for taxation	<b>(112)</b>	(212)	(350)		
Net cash outflow for capital expenditure and financial investment	<b>(1,407)</b>	(1,483)	(1,179)		
Net cash inflow/(outflow) for acquisitions and disposals	<b>163</b>	(969)	(587)		
Equity dividends paid	<b>(571)</b>	(478)	(336)		
<b>Net cash outflow before the management of liquid resources and financing activities</b>					
	<b>(2)</b>	(1,543)	(770)		
Net cash (outflow)/inflow for the management of liquid resources	<b>(138)</b>	347	696		
<b>Net cash outflow before financing activities</b>					
	<b>(140)</b>	(1,196)	(74)		
Net cash inflow from financing activities	<b>174</b>	1,218	59		
<b>Net increase/(decrease) in cash in the year</b>					
	<b>34</b>	22	(15)		
<b>Amounts in accordance with US GAAP</b>					
	<b>31 March 2003 £m</b>	31 March 2002 £m	31 March 2001 £m	31 March 2000 £m	31 March 1999 £m
Group turnover	<b>7,931</b>	4,397	3,783	1,615	1,514
Net income/(loss)	<b>751</b>	(167)	810	1,010	1,003
Earnings/(loss) per ADS					
Basic	<b>159.5p</b>	(54.5)p	274.5p	342.8p	341.9p
Diluted	<b>156.5p</b>	(44.0)p	260.0p	323.4p	322.1p
Total assets	<b>36,089</b>	17,727	10,392	9,106	5,190
Net assets employed/total shareholders' funds	<b>9,515</b>	3,862	2,962	2,381	1,464
Equity shareholders' funds	<b>9,426</b>	3,759	2,920	2,346	1,464

## Glossary of Terms

### Term used in annual report

Accounts  
 Acquisition accounting  
 Allotted  
 Associate  
 Called up share capital  
 Capital allowances  
 Creditors  
 Debtors  
 Equity shareholders' funds  
 Finance lease  
 Financial year  
 Fixed asset investments  
 Freehold  
 Freehold land  
 Group accounts  
 Interest payable  
 Interest receivable  
 Joint venture  
 Net asset value  
 Operating profit  
 Pension scheme  
 Profit  
 Profit and loss account  
 Profit and loss account (reserve)  
 Profit for the year  
 Provision for doubtful debts  
 Provisions  
  
 Reconciliation of movements in equity shareholders' funds  
 Reserves  
 Share capital  
  
 Share premium account  
  
 Stocks  
 Tangible fixed assets  
 Turnover

### US equivalent or brief description

Financial statements  
 Purchase accounting  
 Issued  
 Equity investment  
 Common stock issued and fully paid  
 Tax term equivalent to US tax depreciation allowances  
 Accounts payable (or payables)  
 Accounts receivable (or receivables)  
 Shareholders' equity  
 Capital lease  
 Fiscal year  
 Non-current investments  
 Ownership with absolute rights in perpetuity  
 Land owned  
 Consolidated financial statements  
 Interest expense  
 Interest income  
 Equity investment  
 Book value  
 Net operating income  
 Pension plan  
 Income (or earnings)  
 Income statement  
 Retained earnings  
 Net income  
 Allowance for bad and doubtful accounts receivable  
 Long-term liabilities other than debt and specific accounts payable  
 Statement of changes in stockholders' equity  
 Stockholders' equity other than common stock  
 Ordinary shares, capital stock or common stock issued and fully paid  
 Additional paid-in capital relating to proceeds of sale of stock in excess of par value or paid-in surplus (not distributable)  
 Inventories  
 Property, plant and equipment  
 Revenues (or sales)

## Definitions

### **ADRs**

American Depositary Receipts, negotiable certificates representing holdings in ADSs.

### **ADSs**

American Depositary Shares, each of which represents the right to receive five ordinary shares.

### **bcf**

Billion cubic feet.

### **Company or National Grid Transco**

National Grid Transco plc.

### **DC**

Direct current.

### **Demerger**

The demerger of Lattice from BG Group plc which became effective on 23 October 2000.

### **EMFs**

The electric and magnetic fields produced by all electrical equipment and appliances.

### **FERC**

Federal Energy Regulatory Commission.

### **Gridcom**

The Group's communications infrastructure business.

### **Group**

National Grid Transco and/or its subsidiary undertakings or any of them as the context requires.

### **GW**

Gigawatt,  $10^9$  watts.

### **GWh**

Gigawatt hours.

### **HSE**

Health and Safety Executive.

### **kV**

Kilovolt,  $10^3$  volts.

### **kW**

Kilowatt,  $10^3$  watts.

### **kWh**

Kilowatt hours.

### **Lattice or Lattice Group**

Lattice Group plc and/or its subsidiary undertakings or any of them as the context requires immediately prior to the completion of the Merger.

### **LNG**

Liquefied natural gas.

### **LTI**

Lost Time Injury. A work-related injury that caused the person to be away from work for at least one normal shift after the shift on which the injury occurred, because he/she is unfit to perform his/her duties.

### **mcm**

Million cubic metres.

### **Merger**

The merger of Lattice and National Grid which became effective on 21 October 2002.

### **MJ/cuM**

Megajoules per cubic metre.

### **MW**

Megawatt,  $10^6$  watts.

### **MWh**

Megawatt hours.

### **National Grid or National Grid Group**

National Grid Group plc and/or its subsidiary undertakings or any of them as the context requires immediately prior to the completion of the Merger.

### **National Grid Company or NGC**

National Grid Company plc.

### **National Grid Transco or the Company**

National Grid Transco plc.

### **National Grid USA**

The US holding company which owns the Group's US electricity, gas and telecommunications interests.

### **Niagara Mohawk**

Niagara Mohawk Holdings Inc., the US utility acquired by National Grid on 31 January 2002.

### **NTS or National Transmission System**

The UK national gas transmission system owned and operated by Transco.

### **Ofgem**

The Office of Gas and Electricity Markets which on 16 June 1999 became the new name for the combined Office of Electricity Regulation and Office of Gas Supply.

### **pence or p**

United Kingdom (UK) currency.

### **pound(s) sterling or £**

United Kingdom (UK) currency.

### **PUHCA**

Public Utility Holding Company Act of 1935.

### **SEC**

United States Securities and Exchange Commission.

### **ordinary shares**

Ordinary shares of 10 pence each in the capital of National Grid Transco.

### **tonnes CO<sub>2</sub> equivalent**

Measure of greenhouse gas emissions in relation to the impact of carbon dioxide.

### **TW**

Terawatt,  $10^{12}$  watts.

### **TWh**

Terawatt hours.

### **Transco**

Transco plc.

### **US dollars, US\$ or \$**

United States (US) currency.

## Independent Verifier's Report on Operating Responsibly

### Verification objectives and scope

URS Verification Ltd (URSVL) has been commissioned by National Grid Transco to provide independent assurance of the Operating Responsibly section (pages 21 to 25), herein referred to as 'the report', of National Grid Transco's Annual Report and Accounts 2002/03.

This assurance process focused on assessing governance arrangements and reviewing information presented in the report. This did not include a review of data presented in the report. These priorities were agreed between URSVL and National Grid Transco to be appropriate following the merger of National Grid and Lattice in October 2002.

Objectives included assessment of the:

- robustness of corporate responsibility systems to enable delivery of Group performance;
- appropriateness of corporate metrics to demonstrate and communicate National Grid Transco's management of impacts and risks; and
- content and coverage of the report including the balance of issues.

Based on the above objectives, URSVL focused the interview process at a Group level and conducted a selection of interviews with senior managers in the three most significant business units in the UK and USA-National Grid Company, Transco and National Grid USA.

### Responsibilities of Directors and Verifiers

The information contained in the 2002/03 Annual Report and Accounts is the sole responsibility of the Directors of National Grid Transco. This verification statement represents the independent opinion of URSVL in relation to the report. URSVL was not involved in the development of this material or associated corporate systems.

URSVL has carried out its services by checking samples of information and documents which have been made available to URSVL by National Grid Transco. Accordingly, URSVL has not checked or reviewed all of National Grid Transco's information and documents. The verification statement provided herein by URSVL is not intended to be used as advice or as the basis for any decisions, including, without limitation, financial or investment decisions.

### Verification method

The approach followed by URSVL is aligned to International Accreditation Forum IAF Guide 66, Guidance to Guide 66-EA-7/02 and EN 45012, frameworks for bodies operating independent assessment and certification of management systems. URSVL auditors conducted the verification process following the general principles of auditing and audit procedures as contained within the international standard, ISO 19011 and with consideration of the new assurance standard, AA1000.

### Corporate responsibility

In URSVL's opinion, National Grid Transco has established clear roles and responsibilities at Board, Group and business unit levels, since the Merger. Appropriate Group policies for a number of key issues have been developed based on National Grid Transco's Framework for Responsible Business, with further policies under consideration. Whilst communication and implementation of the new policies has commenced, this should be seen as an ongoing process, building on the established safety and environment systems in place in the business units. National Grid Transco has also developed a systematic methodology for identifying and assessing Group-wide operational risks including corporate responsibility issues. There was a good awareness of the defined risks and the mechanisms for their management amongst the personnel interviewed. However, it was noted that the register defines the risks in general terms and greater clarity of the risks as presented in the register may assist in ongoing use and understanding of this document. Furthermore, internal reporting mechanisms on safety and environment performance are well established at Board, Group and business unit levels. However, the internal performance reporting to the Board does not cover all key defined corporate responsibility risks.

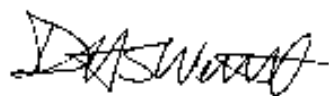
### Content and coverage of the report

In URSVL's opinion, the report text which focuses on key risks defined by National Grid Transco covers the appropriate corporate responsibility issues for the Group. The qualitative information provided is also considered fair, balanced across the business, and includes reporting of sensitive issues. The metrics in the report reflect where existing data was available, however these are not completely aligned with the internal reporting process.

### Areas for development of corporate responsibility and reporting

To build on this first corporate responsibility report by National Grid Transco and its internal strategy and systems, the following represent primary areas for consideration:

- further dissemination and implementation of policies across the Group building on existing systems;
- increased effectiveness in communication from Group to business unit level to strengthen integration of cultures and systems;
- greater clarity in the descriptions of risks covered in the risk register to ensure complete understanding of the risks covered;
- review and consider inclusion of additional metrics in the internal and external reporting process to reflect a broader range of corporate risks to increase robustness of the corporate responsibility process; and
- documenting and communicating targets and trends to increase openness and transparency of National Grid Transco's performance.



David Westwood  
Director  
For and on behalf of URS Verification Ltd  
London  
May 2003

## Investor Information

### Market prices

The following table sets out the highest and lowest market prices for the periods indicated:

	Ordinary shares		ADSs	
	High (p)	Low (p)	High (\$)	Low (\$)
1998/99	552.75	359.00	45.625	29.750
1999/2000	597.00	388.50	48.125	31.875
2000/01	646.00	479.50	47.875	37.000
2001/02	581.00	417.25	41.750	30.400
Quarter 1	581.00	518.00	41.750	36.900
Quarter 2	536.00	424.50	37.500	31.640
Quarter 3	502.00	417.25	36.040	30.400
Quarter 4	471.50	434.50	33.610	31.110
2002/03	511.50	365.75	37.400	29.690
Quarter 1	511.50	459.00	37.400	32.870
Quarter 2	472.25	402.25	36.500	31.400
Quarter 3	480.00	418.00	37.140	32.800
October 2002	480.00	451.50	37.140	35.300
November 2002	453.00	429.00	36.160	33.500
December 2002	456.50	418.00	36.790	32.800
Quarter 4	448.00	365.75	35.920	29.690
January 2003	448.00	384.00	35.920	32.060
February 2003	421.00	391.00	33.560	31.630
March 2003	417.00	365.75	32.610	29.690
April 2003	418.00	394.00	33.180	31.060
May 2003*	421.00	400.50	34.250	32.100

\* For the period to 20 May 2003

### Exchange rates

The following table sets out the \$ to £ exchange rates as indicated:

	Period end (\$)	Average (\$)**	High (\$)	Low (\$)
1998/99	1.61	1.65	1.72	1.60
1999/2000	1.59	1.61	1.68	1.55
2000/01	1.42	1.47	1.60	1.40
2001/02	1.42	1.44	1.48	1.37
2002/03	1.58	1.55	1.65	1.43
October 2002			1.57	1.54
November 2002			1.59	1.54
December 2002			1.61	1.56
January 2003			1.65	1.60
February 2003			1.65	1.57
March 2003			1.61	1.56
April 2003			1.60	1.55
May 2003*			1.64	1.59

\*\* The average rate is calculated using the exchange rates on the last day of each month during the period

### Trading markets for ordinary shares

National Grid Transco's shares have been listed on the London Stock Exchange since 11 December 1995. National Grid Transco's ADRs have had a full listing on the New York Stock Exchange since 7 October 1999.

### Exchange controls

There are currently no UK laws, decrees or regulations that restrict the export or import of capital, including, but not limited to, foreign exchange control restrictions, or that affect the remittance of dividends, interest or other payments to non-UK resident holders of ordinary shares except as otherwise set out in 'Taxation' below and except in respect of

the governments of and/or certain citizens, residents or bodies of Iraq, the Federal Republic of Yugoslavia, Serbia, Myanmar (formerly Burma) and Afghanistan (in each case as more particularly described in applicable Bank of England Notices or European Union Council Regulations in force as at the date of this document).

### Defaults, dividend arrearages and delinquencies

There has been no material default in the payment of principal, interest, a sinking or purchase fund instalment or any other material default with respect to the indebtedness for or in respect of monies borrowed or raised by whatever means of

the Company or any of its significant subsidiaries. There have been no arrears in the payment of dividends on, and no material delinquency with respect to, any class of preferred stock of any significant subsidiary of the Company.

### Taxation

The following summary describes the principal US Federal income and UK tax consequences to beneficial owners of ADSs or ordinary shares who are residents of the United States. The summary is not a complete analysis or listing of all the possible tax consequences of ownership and does not discuss special tax rules that may be applicable to certain classes of investors, including banks, insurance companies, securities dealers, investors with a 'functional currency' other than the US dollar and any corporation which alone, or together with one or more corporations which are treated as associated for the purposes of the US/UK taxation convention relating to income and capital gains (the 'Income Tax Convention'), directly or indirectly controls 10% or more of the voting share capital of National Grid Transco. The statements regarding US Federal tax laws set out below are based (i) on the US Internal Revenue Code of 1986, as amended (the 'Code') and regulations issued thereunder, all of which are subject to change, possibly with retroactive effect and (ii) in part on representation of The Bank of New York as depositary (the 'Depositary') and assume that each obligation provided for in or otherwise contemplated by the deposit agreement entered into by and among National Grid Transco, the Depositary and the registered holders of ADRs pursuant to which ADRs have been issued dated as of 21 November 1995 and amended and restated as of 31 January 2002 (the 'Deposit Agreement') and any related agreement will be performed in accordance with its terms. The statements regarding UK tax set out below are based on what is understood to be the practice of the UK Inland Revenue as at such date and are subject to any change therein (including any change having retroactive effect). Beneficial owners of ADSs who are residents or citizens of the United States will be treated as the owners of the underlying ordinary shares for the purposes of the Code.

The US and UK signed a new convention for the avoidance of double taxation with respect to income and capital gains on 24 July 2001 (the 'New Treaty'). The New Treaty entered into force following the exchange of instruments of ratification on 31 March 2003 and is effective for withholding taxes beginning 1 May 2003. This summary is based on the income tax treaty in effect at the end of National Grid Transco's taxable year 31 March 2003 (the

'Old Treaty'), with a brief summary of the impact of the New Treaty on future distributions and disposals.

For the purposes of this discussion, the term 'US Holder' refers to a beneficial owner of ADSs or ordinary shares who is a resident of the United States for US Federal income tax purposes and, as to the description under 'Taxation of dividends' and 'Taxation of capital gains' below, is also a resident of the United States for the purposes of the Old Treaty.

### Taxation of dividends

The tax credit to which UK resident individual shareholders are generally entitled in respect of any dividend on their ordinary shares and which they can set against their total income tax liability is equal to one-ninth of the cash dividend (10% of the aggregate of the tax credit and the cash dividend).

Under the terms of the 1975 Income Tax Convention, effective for withholding tax purposes through to 30 April 2003, dividends paid to US shareholders controlling less than 10% of the voting capital of National Grid Transco are not subject to withholding taxes in the United Kingdom. The 1975 Income Tax Convention technically allows such US shareholders to claim the refundable tax credit for dividends which is available to UK shareholders. The amount of such credit is one-ninth of the cash distribution (10% of the aggregate of the credit and the cash dividend). If claimed by a US shareholder, however, the 1975 Income Tax Convention requires the credit to be reduced by 15% of the sum of the dividend and the credit, resulting in no net refundable credit.

Under the terms of the 2003 Income Tax Convention, effective for withholding tax purposes beginning on 1 May 2003, the United Kingdom is allowed to impose a 15% withholding tax on dividends paid to US shareholders controlling less than 10% of the voting capital of National Grid Transco. The United Kingdom does not, however, currently impose a withholding tax on such dividends. If it were to impose such a tax, the treaty provides for an exemption from withholding taxes for dividends paid on shares held through a tax exempt pension fund, 401(k) plan, or similar 'pension scheme'. The 2003 Income Tax Convention eliminates the refundable tax credit provision found in the prior treaty. To obtain benefits under the New Treaty, a US holder must comply with the limitations on benefits article.

### Taxation of capital gains

A US Holder who is not resident or ordinarily resident for UK tax purposes in the UK will not be liable for UK taxation on

capital gains realised or accrued on the sale or other disposal of ADSs or ordinary shares unless the US Holder carries on a trade, profession or vocation in the UK through a branch or agency and such ADSs or ordinary shares are or have been used, held or acquired for the purposes of such trade, profession or vocation or such branch or agency. A US Holder will be liable for US Federal income tax on gains on the sale of ADSs or ordinary shares to the same extent as on any other gains from sales of stock. Gain, if any, will generally be US source.

A US citizen who is resident or ordinarily resident in the UK, a US corporation which is resident in the UK by reason of its business being managed and controlled in the UK or a US citizen who, or a US corporation which, is trading or carrying on a profession or vocation in the UK through a branch or agency and has used, held or acquired ADSs or ordinary shares for the purpose of such trade, profession or vocation or such branch or agency, may be liable for both UK and US tax on a capital gain recognised on the disposal of ADSs or ordinary shares. Such holder, however, will generally be entitled to foreign tax credit, subject to certain limitations, against any US Federal tax liability for the amount of any UK tax (namely capital gains tax in the case of an individual and corporation tax on chargeable gains in the case of a corporation) which is paid in respect of such gain.

A US Holder who becomes resident in the UK after a period of 'temporary' non-residence (of up to five years) following an earlier period of residence in the UK may also be liable to UK capital gains tax.

The taxation of capital gains remains broadly unchanged under the New Treaty. However, a US Holder must comply with the limitation on benefits article in the New Treaty in order to obtain treaty benefits.

### UK stamp duty and stamp duty reserve tax ('SDRT')

**Transfers of ordinary shares:** Generally speaking SDRT at the rate of 0.5% of the amount or value of the consideration paid is payable where an agreement to transfer ordinary shares is not completed by a duly stamped transfer to the transferee. Where an instrument of transfer is executed and duly stamped before the expiry of the period of six years beginning with such date, the SDRT liability will be cancelled, and any SDRT which has been paid will be refunded. SDRT is due whether or not the agreement or transfer of such chargeable securities is made or carried out in the UK and whether or not any party to that agreement or transfer is a UK resident.

Purchases of ordinary shares completed by

execution of a stock transfer form will generally give rise to a liability to UK stamp duty at the rate of 0.5% (rounded up to the nearest £5) of the actual consideration paid.

Paperless transfers under the CREST paperless settlement system will generally be liable to SDRT at the rate of 0.5%, and not stamp duty.

The transfer of ordinary shares where there is no change of beneficial ownership will generally attract fixed rate stamp duty of £5 per transfer.

SDRT is generally the liability of the purchaser and UK stamp duty is usually paid by the purchaser or transferee.

**Transfer of ADSs:** No UK stamp duty will be payable on the acquisition or transfer of existing ADSs or beneficial ownership of ADSs, provided that any instrument of transfer or written agreement to transfer is executed outside the UK and remains at all times outside the UK. An agreement for the transfer of ADSs in the form of ADRs will not give rise to a liability for SDRT. On a transfer of ordinary shares from the London, England office of The Bank of New York as agent of the Depository (the 'Custodian') to a holder of ADSs upon cancellation of the ADSs, only a fixed stamp duty fee of £5 per instrument of transfer will be payable. Any transfer for value of the underlying ordinary shares represented by ADSs may give rise to a liability on the transferee to UK stamp duty or SDRT.

A charge to stamp duty or SDRT may arise on the issue or transfer of ordinary shares to the Depository or the Custodian. The rate of stamp duty or SDRT will generally be 1.5% of either (i) in the case of an issue of ordinary shares, the issue price of the ordinary shares concerned, or (ii) in the case of a transfer of ordinary shares, the value of the consideration or, in some circumstances, the value of the ordinary shares concerned. The Depository will generally be liable for the stamp duty or SDRT. In accordance with the terms of the Depository Agreement, the Depository will charge any tax payable by the Depository or the Custodian (or their nominees) on the deposit of ordinary shares to the party to whom the ADSs are delivered against such deposits. If the stamp duty is not already a multiple of £5, the duty will be rounded up to the nearest multiple of £5.

### US information reporting and backup withholding

A US resident Holder who holds ADSs may in certain circumstances be subject to information reporting to the IRS and possible US backup withholding at a rate of 30% with respect to dividends on ADSs and proceeds from the sale or other

disposition of ADSs unless such holder furnishes a correct taxpayer identification number or is otherwise exempt.

### UK inheritance tax

An individual who is domiciled in the US for the purposes of the convention between the US and the UK for the avoidance of double taxation with respect to estate and gift taxes (the 'Estate Tax Convention') and who is not a national of the UK for the purposes of the Estate Tax Convention will generally not be subject to UK inheritance tax in respect of the ADSs on the individual's death or on a gift of the ADSs during the individual's lifetime, unless the ADSs are part of the business property of a permanent establishment of the individual in the UK or pertain to a fixed base in the UK of an individual who performs independent personal services. Special rules apply to ADSs held in trust. In the exceptional case where the shares are subject both to UK inheritance tax and to US Federal gift or estate tax, the Estate Tax Convention generally provides for the tax paid in the UK to be credited against tax paid in the US.

### Memorandum and Articles of Association

The following description is a summary of the material terms of National Grid Transco's share capital and material provisions of the Memorandum and Articles of Association of National Grid Transco (the 'Articles') and English law. The following description is a summary only and is qualified in its entirety by reference to the Articles, which have been filed with the US Securities and Exchange Commission, and the Companies Act 1985, as amended (the 'Companies Act'). National Grid Transco's authorised share capital is 5,000,000,000 ordinary shares of 10 pence each and one special rights non-voting redeemable preference share of £1. All of the outstanding shares are fully paid. Accordingly, no further contribution of capital may be required by National Grid Transco from the holders of such shares.

**General:** National Grid Transco is incorporated under the name National Grid Transco plc and is registered in England and Wales with registered number 4031152. The Company's objects are set forth in the fourth clause of its Memorandum of Association and cover a wide range of activities, including the following:

- carrying on the business of a holding company;
- employing the funds of the Company to develop and expand its business; and

- carrying on any other activity supplemental to the foregoing or capable of enhancing the Company's profitability.

The Memorandum of Association grants National Grid Transco a broad range of corporate powers to effect these objectives.

**Directors:** The Articles provide that unless otherwise determined by an ordinary resolution of the Company's shareholders, the number of Directors shall not be fewer than two but shall not be subject to any maximum number. Under the Articles, a Director may not vote in respect of any contract in which the Director, directly or indirectly, has an interest. This is subject to certain exemptions relating to (a) giving the Director any guarantee, security or indemnity in respect of obligations incurred at the request of or for the benefit of National Grid Transco, (b) giving any guarantee, security or indemnity to a third party in respect of obligations of National Grid Transco for which the Director has assumed responsibility under an indemnity or guarantee, (c) an offer of securities of National Grid Transco in which the Director may be entitled to participate or will be interested as an underwriter, (d) any contract concerning any other company in which the Director is beneficially interested in less than 1% of that other company, (e) any arrangement for the benefit of employees of National Grid Transco under which he benefits in a similar manner as the employees and (f) any contract concerning any insurance that National Grid Transco is empowered to purchase or maintain for its Directors.

The compensation awarded to Executive Directors is decided by a remuneration committee, which consists exclusively of Non-executive Directors.

The Directors are empowered to exercise all the powers of National Grid Transco to borrow money, subject to the limitation that the aggregate principal amount outstanding of all borrowings shall not exceed an amount equal to four times National Grid Transco's share capital and aggregate reserves, calculated in the manner described in the Articles, unless sanctioned by an ordinary resolution of the Company's shareholders.

Any Director not otherwise required to retire at an annual general meeting of shareholders shall do so unless he was appointed or reappointed as a Director at either of the last two annual general meetings before that meeting. At each annual general meeting one-third of the Directors (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation. A retiring Director shall be eligible for re-election. No Director shall be

required to retire by reason only of the fact that he has attained the age of 70 or any other age.

A Director is not required to hold shares of National Grid Transco in order to qualify as a Director.

**The Special Share:** Any one of Her Majesty's Secretaries of State, another Minister of the Crown, the Solicitor for the affairs of HM Treasury or any other person acting on behalf of the Crown may hold the Special Share. The registered holder of the Special Share may, after consulting National Grid Transco and subject to the provisions of the Companies Act, require National Grid Transco to redeem the Special Share at par at any time. The holder of the Special Share has the right to receive notice of, and to attend and speak at, any general meeting or any separate meeting of the holders of any class of shares, but the special share confers no right to vote nor any other rights at any shareholders' meeting. The Special Share confers no right to participate in National Grid Transco's capital or profits except that, on a distribution of capital in a winding-up, the holder of the Special Share is entitled to repayment of £1 in priority to other shareholders.

Each of the following actions is effective only with the written consent of the holder of the Special Share:

(a) the amendment, removal or alteration of the effect of (including the ratification of any breach of) specified provisions of the Articles, including the Article relating to the Special Share, the Article on general limitations on shareholdings, the Article on shareholding restrictions on persons who are bound by the Balancing and Settlement Code or who are licence holders and the Article relating to the disclosure of interests in shares under section 212 of the Companies Act (each as described under 'General Limitations on Shareholdings' and 'Shareholding Restrictions on Persons who are bound by the Balancing and Settlement Code or who are Licence Holders' below) except to the extent that any amendment, removal or alteration of the Article relating to the disclosure of interests in shares is required to comply with the Listing Rules of the UK Listing Authority;

(b) the creation or issue of any shares in the Company with voting rights attached, not being: (i) shares comprised or shares which would, following issue, be comprised in the relevant share capital (as defined in section 198(2) of the Companies Act) of the Company; or (ii) shares which do not or shares which, following issue, would not constitute equity share capital (as defined in section 744 of the Companies Act) and which, when aggregated with all other

such shares, carry (or would, if in issue carry) the right to cast less than 15% of the maximum number of votes capable of being cast on a poll on any resolution at any general meeting of the Company (whether or not the votes could be cast on a poll in relation to all resolutions at all general meetings);

(c) the variation of any rights (save for dividend rights and rights to repayment of capital) attached to any shares in National Grid Transco;

(d) the disposal by the Company or the disposal by any other member of the Group, to any person who is not a member of the Group, of all or any of the shares or of any rights or interests therein held by such company in the Transmission Licence Holder or in any company which directly or indirectly holds shares therein, or the entering into by the Company or any other member of the Group of any agreement or arrangement with any person who is not a member of the Group with respect to, or to the exercise of any rights attaching to, such shares;

(e) the giving by the Company of any consent or agreement to (including, without limitation, the casting of any vote in favour of) any amendment, removal or alteration of the effect of Article 10 of the Articles of Association of Transco plc (company number 2006000) or of the equivalent article in the Articles of Association of each Relevant Subsidiary (as defined in the Articles);

(f) the giving by the Company (or any Relevant Subsidiary) of any consent or agreement to (including, without limitation, the casting of any vote in favour of) the creation or issue of any shares in the capital of Transco plc (or any Relevant Subsidiary) other than an issue of such shares following which the Company will own (directly or through any Relevant Subsidiary) the full legal and beneficial interest in, and control, shares in the capital of Transco plc carrying at least 85% of the voting rights exercisable at general meetings of Transco plc (as defined in the Articles);

(g) the disposal by the Company (or any Relevant Subsidiary) of any of the shares in Transco plc held by it (or any Relevant Subsidiary) or of any rights or interests therein or the entering into by the Company (or any Relevant Subsidiary) of any agreement or arrangement with respect to, or to the exercise of any voting or other rights attaching to, such shares such that the Company would cease (directly or through any Relevant Subsidiary) to own the full legal and beneficial interest in, and control, shares in the capital of Transco plc carrying at least 85% of the voting rights exercisable

at general meetings of Transco plc. For these purposes, 'disposal' shall include any sale, gift, lease, licence, loan, mortgage, charge or the grant of any other encumbrance or the permitting of any encumbrance to subsist (other than a floating charge over the whole of the Company's or Relevant Subsidiary's assets), or any other disposition to a third party;

(h) the giving by the Company (or any Relevant Subsidiary) of any consent or agreement to (including, without limitation, the casting of any vote in favour of) any abrogation, variation, waiver or modification of any of the rights or privileges attaching to any shares of any class in Transco plc (or any Relevant Subsidiary) such that the Company would cease (directly or through any Relevant Subsidiary) to own the full legal and beneficial interest in, and control, shares in the capital of Transco plc carrying at least 85% of the voting rights exercisable at any general meeting of Transco plc;

(i) without limitation to any of the foregoing, any act or omission to act by the Company or the Board (or any Relevant Subsidiary or its board of directors) which results in the Company ceasing (directly or through any Relevant Subsidiary) to own the full legal and beneficial interest in, and control, shares in the capital of Transco plc carrying at least 85% of the voting rights exercisable at general meetings of Transco plc;

(j) any scheme of arrangement which if put into effect would relieve the Transmission Licence Holder or any other Affiliate of the Company of, or otherwise modify, the obligation required to be imposed on such person by the Company;

(k) the voluntary winding-up of the Company, a special resolution to the effect that the Company should be wound up by the court, the presentation by the Company or by the Directors (whether solely or jointly with each other or with any other person) of a petition for the winding-up of the Company by the court or any proposal for any of the foregoing;

(l) the presentation by the Company (whether solely or jointly with any other person) of a petition to the court for, or the exercise by the Company of any rights in support of, the winding-up of the Transmission Licence Holder or any proposal for either of the foregoing;

(m) the presentation by the Company or by the Directors (whether solely or jointly with each other or with any other person) of a petition applying for an administration order pursuant to section 9 of the Insolvency Act 1986 or any proposal thereof;

(n) the proposal by the Board of a voluntary arrangement pursuant to section 1 of the Insolvency Act 1986; and

(o) save with respect to a Qualifying Reorganisation (as defined in the Articles), the establishment of a holding company for the Company.

#### **Ordinary Shares Dividends and Other Distributions:**

National Grid Transco may not pay any dividend otherwise than out of profits available for distribution under the Companies Act and the other applicable provisions of English law. In addition, as a public company, National Grid Transco may make a distribution only if and to the extent that, at the time of the distribution, the amount of its net assets is not less than the aggregate of its called-up share capital and undistributable reserves (as defined in the Companies Act). Subject to the foregoing, National Grid Transco may, by ordinary resolution, declare dividends in accordance with the respective rights of the shareholders but not exceeding the amount recommended by the Board of Directors. The Board of Directors may pay interim dividends if the Board of Directors considers that National Grid Transco's financial position justifies the payment.

Except insofar as the rights attaching to any share otherwise provide, all dividends will be apportioned and paid proportionately to the amounts paid up (otherwise than in advance of calls) on the shares.

A general meeting declaring a dividend may, upon the recommendation of the Board of Directors, direct that the dividend be satisfied wholly or partly by the distribution of assets. Dividends may be declared or paid in any currency. The Board of Directors may, if authorised by a shareholders' ordinary resolution, offer the holders of ordinary shares the right to elect to receive new ordinary shares credited as fully paid, instead of cash for all or part of the dividend specified by that ordinary resolution.

National Grid Transco may stop paying dividends or other monies payable in respect of a share to a shareholder if in respect of at least two consecutive dividend payments, through no fault of National Grid Transco, payment has not been effected (or, following one such occasion, reasonable enquiries have failed to establish any new address of the holder or appropriate details for effecting payment by other means). National Grid Transco must resume payment of dividends or other monies payable in respect of a share if the shareholder or person entitled by transmission claims the arrears of dividend.

All dividends or other sums payable unclaimed for one year after having been declared may be invested or otherwise made use of by the Board of Directors for the benefit of National Grid Transco until claimed. Any dividend or interest unclaimed for 12 years from the date when it was declared or became due for payment will be forfeited and revert to National Grid Transco.

In a winding-up, a liquidator may, with the sanction of a special resolution of National Grid Transco and any other sanction required by applicable provisions of English law, (a) divide among the shareholders the whole or any part of National Grid Transco's assets (whether the assets are of the same kind or not) and may for this purpose value any assets and determine how the division should be carried out as between different shareholders or different classes of shareholders or otherwise as the resolution may provide, or (b) vest the whole or any part of the assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the sanction of a special resolution, determines, but in neither case will a shareholder be compelled to accept assets upon which there is a liability.

Unless the Board of Directors determines otherwise, no shareholder holding shares representing 0.25% or more of any class of National Grid Transco's shares will be entitled to receive payment of any dividend or other distribution if he or any person appearing to be interested in those shares has been given a notice under section 212 of the Companies Act and has failed to give National Grid Transco the information required by the notice within 14 days from the date of service of the notice.

**Voting Rights:** Subject to any rights or restrictions attached to any shares and to any other provisions of the Articles, at any general meeting on a show of hands every shareholder who is present in person will have one vote and on a poll every shareholder will have one vote for every share which he holds. On a poll, shareholders may cast votes either personally or by proxy and a proxy need not be a shareholder. Under the Articles all special and extraordinary resolutions must be decided on a poll.

In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders. Seniority will be determined by the order in which the names of the holders appear in the register of shareholders.

Unless the Board of Directors otherwise determines, no shareholder, or person to

whom any of that shareholder's holding is transferred other than by a transfer approved under the Articles, can vote at any general meeting either in person or by proxy in respect of any share in National Grid Transco held by him:

(a) if all monies presently payable by him in respect of that share have not been paid;

(b) if he or any other person appearing to be interested in the share has been given a notice under section 212 of the Companies Act and has failed to provide the information required by the notice within 14 days from the date of service of the notice (or in the case of shares representing less than 0.25% of their class, within 28 days of service of the notice); or

(c) in the circumstances referred to under 'General Limitations on Shareholdings' and 'Shareholding Restrictions on Persons who are bound by the Balancing and Settlement Code or Licence Holders' below.

**Variation of Rights:** Subject to applicable provisions of English law and the rights attached to any specific class of shares, the rights attached to any class of shares of National Grid Transco may be varied with the written consent of the holders of three-fourths in nominal value of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the shares of that class. The applicable provisions of English law and the Articles relating to general meetings will generally apply to any such separate meeting except that:

(a) the necessary quorum will be two persons between them holding or representing by proxy not less than one-third in nominal amount of the issued shares of that class or, at any adjourned meeting of holders of shares of that class at which that quorum is not present, will be any holder of shares of that class who is present in person or by proxy whatever the number of shares held by him;

(b) any holder of shares of that class present in person or by proxy may demand a poll; and

(c) every holder of shares of that class will, on a poll, have one vote in respect of every share of that class held by him.

**Alteration of Capital:** National Grid Transco may by ordinary resolution increase, consolidate and divide and subdivide its share capital. Subject to applicable provisions of English law, National Grid Transco may by special resolution reduce its share capital, any capital redemption reserve and any share

premium account or other undistributable reserve in any manner. Subject to applicable provisions of English law and to any rights conferred on the holders of any class of shares, National Grid Transco may purchase all or any of its shares of any class (including any redeemable shares).

**General Limitations on Shareholdings:**

The Articles contain provisions which limit interests in voting shares. These provisions are described briefly below:

(a) If any person has, or appears to the Board of Directors to have, an interest in shares which carry 15% or more of the total votes attaching to the relevant share capital (as defined in the Companies Act) of National Grid Transco and capable of being cast on a poll or is deemed so to have such an interest, the Board of Directors must take the following actions. The Board must give notice to all persons who appear to the Board of Directors to have interests in the shares concerned and, if different, to the registered holders of those shares. The notice will require that the interest concerned be reduced to less than 15% by selling shares within 21 days of the notice (or such longer period that the Board of Directors considers reasonable). No transfer of the shares to which the interest relates may then be registered except for the purpose of reducing the interest to less than 15% or until the notice has been withdrawn.

(b) If a person receiving a notice described in paragraph (a) does not comply with it, the Board of Directors will, so far as it is able, sell the shares on appropriate terms, as it determines. The proceeds of that sale will be received by National Grid Transco and paid (without interest and after deduction of any expenses of sale) to the former registered holder.

(c) A registered holder receiving a notice described in paragraph (a) is not entitled, until he has complied with the notice, to attend or vote at any general meeting of National Grid Transco or of any class of shares. Likewise, the holder will not be able to exercise any other of the rights of a shareholder in relation to that meeting, and those rights will vest in the chairman of that meeting who will have discretion to exercise them or not.

(d) Any resolution or determination of, or decision or exercise of any discretion or power by, the Board of Directors or any Director or the chairman of any meeting under the relevant Article will be final and conclusive. Any disposal or transfer made by or on behalf of or on the authority of the Board of Directors or any Director pursuant to the relevant Article will be conclusive and binding on all persons concerned and

will not be open to challenge. The Board of Directors is not required to give any reasons for any decision, determination or declaration taken or made in accordance with the relevant Article. There are limited exceptions to these restrictions relating principally to holdings of a trustee or fiduciary nature and market clearing arrangements. These restrictions do not apply to the Depositary acting in its capacity as such.

**Shareholding Restrictions on Persons who are bound by the Balancing and Settlement Code or Licence Holders:**

The Articles contain additional restrictions which are intended to prevent any person who is bound by the Balancing and Settlement Code by virtue of being a party to the BSC Framework Agreement dated 14 August 2000, a holder of a licence under the Electricity Act 1989, or in either case, any affiliate thereof, from having an interest in shares which carry 1% or more of the total votes attaching to the relevant share capital of National Grid Transco and capable of being cast on a poll.

The Board of Directors has the same rights as those set out under 'General Limitations on Shareholdings' above to require the sale or to sell sufficient numbers of shares to bring the relevant interest within the permitted limit where these provisions are breached.

**Obligations Relating to the Transmission Licence Holder:** The Articles provide that National Grid Transco must procure that, without the consent in writing of the holder of the special share:

(a) the transmission licence (as subsequently amended) which was granted by the then Secretary of State for Energy shall not be held by any person which is not National Grid Transco or a wholly-owned subsidiary of National Grid Transco;

(b) National Grid Transco and its wholly-owned subsidiaries shall not cease to carry on, or dispose of or relinquish operational control over any asset required to carry on, the transmission business or the interconnectors business (as defined in the transmission licence in place at 11 December 1995) except if that cessation, disposal or relinquishment is required by law or is permitted pursuant to or by virtue of the terms of the transmission licence;

(c) neither National Grid Transco nor any affiliate of National Grid Transco is permitted to carry on in the United Kingdom any activity which requires a generation or supply licence or which is exempted from such requirement, save where that activity is expressly permitted

under the terms of the transmission licence in place at 11 December 1995 and neither National Grid Transco nor any affiliate of National Grid Transco is permitted to engage outside the United Kingdom in the generation of electricity to be imported into the United Kingdom;

(d) no employee or director of any person who is bound by the Balancing and Settlement Code by virtue of being a party to the BSC Framework Agreement dated 14 August 2000 or the holder of a licence under the Electricity Act 1989 or, in either case, any affiliate thereof (other than National Grid Transco or any wholly-owned subsidiary of National Grid Transco) is permitted to be a director of National Grid Transco or the transmission licence holder; and

(e) the transmission licence holder is not permitted to carry on activities other than:

(i) those required or contemplated on the part of the transmission licence holder (in its capacity as the holder of the transmission licence) by the transmission licence or the Electricity Act 1989 or related to those requirements; or

(ii) those carried on by The National Grid Company plc at or prior to 11 December 1995.

The restrictions set out in this sub-paragraph (e) would not prevent the acquisition of any share capital by the transmission licence holder in any company (subject to sub-paragraph (c)).

**Annual General Meetings and Extraordinary General Meetings:**

Annual General Meetings must be convened upon advance written notice of 21 clear days. An Extraordinary General Meeting must be convened upon advance written notice of 21 clear days for the passing of a special resolution and 14 days for any other resolution. The notice must specify the nature of the business to be transacted. The notice must also specify the place, the day and the time of the meeting.

**Rights of Non-Residents:** There are no restrictions under National Grid Transco's Memorandum and Articles of Association that would limit the rights of persons not resident in the UK, as such, to vote ordinary shares.

**Disclosure of Interests:**

(a) A shareholder may lose the right to vote his shares if he or any other person appearing to be interested in those shares fails to comply within a prescribed period of time with a request by National Grid Transco under the Companies Act to give the required information with respect to

past or present ownership or interests in those shares. In the case of holders of more than 0.25% in nominal amount of any class of the share capital of National Grid Transco, in addition to disenfranchisement, the sanctions that may be applied by National Grid Transco include withholding of the right to receive payment of dividends and other monies payable on shares, and restrictions on transfers of the shares.

(b) The Companies Act provides that a person (including a company and other legal entities) that acquires an interest of 3% or more in any class of shares constituting an English public company's 'relevant share capital' (ie National Grid Transco's issued share capital carrying the right to vote in all circumstances at a general meeting of National Grid Transco) is required to notify the company of its interest within two business days following the day on which the obligation arises. After the 3% level is exceeded, similar notifications must be made in respect of increases or decreases of 1% or more.

For purposes of the notification obligation, the interest of a person in shares means any kind of interest in shares including interests in any shares (a) in which a spouse, or child or stepchild under the age of 18 is interested, (b) in which a corporate body is interested and either (i) that corporate body or its directors generally act in accordance with that person's directions or instructions or (ii) that person controls one-third or more of the voting power of that corporate body or (c) in which another party is interested and the person and that other party are parties to a 'concert party' agreement. A concert party agreement is one which provides for one or more parties to acquire interests in shares of a particular company and imposes obligations or restrictions on any one of the parties as to the use, retention or disposal of such interests acquired under the agreement, and any interest in the company's shares is in fact acquired by any of the parties under the agreement. Some of the interests (eg those held by certain investment fund managers) may be disregarded for the purposes of calculating the 3% threshold, but the obligations of disclosure will still apply where those interests exceed 10% or more of any class of the company's relevant share capital and to increases or decreases of 1% or more thereafter.

In addition, section 212 of the Companies Act provides that a public company may send a written notice to a person whom the company knows or has reasonable cause to believe to be, or to have been at any time during the three years immediately

preceding the date on which the notice is issued, interested in shares constituting the company's 'relevant share capital'. The notice will require that person to state whether he has an interest in the shares, and in case that person holds or had held an interest in those shares, to give additional information relating to that interest and any other interest in the shares of which that person is aware.

Where a company serves notice under the provisions described above on a person who is or was interested in shares of the company and that person fails to give the company any information required by the notice within the time specified in the notice, the company may apply to an English court for an order directing that the shares in question be subject to restrictions prohibiting, among other things, any transfer of those shares, the taking up of rights in respect of those shares and, other than in a liquidation, payments in respect of those shares.

A person who fails to fulfil the obligations imposed by those provisions of the Companies Act described above is subject to criminal penalties.

#### Material contracts

Save for the contracts described below, no contracts (other than contracts entered into in the ordinary course of business) have been entered into by the Group: within the two years immediately preceding the date of this document which are, or may be material; or which contain any provision under which any member of the Group has any obligation or entitlement which is material to the Group at the date of this document.

(a) Credit agreement dated 22 November 2001 between National Grid Transco plc (as guarantor and borrower); NGG Finance plc (as borrower); HSBC Investment Bank plc (the facility agent); HSBC (USA) Inc. (the swingline agent); and certain banks and financial institutions (the banks) which provides a \$1.7 billion 364 day multicurrency revolving credit facility and \$600 million five year multicurrency revolving facility with a \$300 million swingline facility. An agreement to extend \$1.5 billion of the 364 day multicurrency revolving credit facility for a further 364 days to 20 November 2003 was signed on 20 November 2002.

(b) Offering circular issued by NGG Finance plc on 20 August 2001 summarising the trust deeds, subscription agreements and paying agency agreements relating to the €1,250,000,000 5.25% guaranteed bonds due 2006 and the €750,000,000 6.125% guaranteed bonds due 2011 issued by NGG Finance plc and guaranteed by National Grid Transco.

#### Documents on display

National Grid Transco is subject to the filing requirements of the US Securities Exchange Act of 1934. In accordance with these requirements, National Grid Transco files reports and other information with the US Securities and Exchange Commission (SEC). These materials, including this document, may be inspected during normal business hours at National Grid Transco's registered office at 1-3 Strand, London WC2N 5EH or at the SEC's Public Reference Room at 450 Fifth Street, NW, Washington, DC 20549. For further information about the Public Reference Room, please call the SEC on 1-800-SEC-0330. Some of National Grid Transco's filings are also available on the SEC's website at [www.sec.gov](http://www.sec.gov).

#### Exhibits

The following have been filed with the Securities and Exchange Commission or will so be filed with the 2002/03 Form 20-F:

- 1 Memorandum and Articles of Association of National Grid Transco plc
- 2(a) Amended and restated Deposit Agreement dated as of 31 January 2002
- 4(a) (i) Credit agreement dated 22 November 2001 between National Grid Transco plc (as guarantor and borrower); NGG Finance plc (as borrower); HSBC Investment Bank plc (the facility agent); HSBC (USA) Inc. (the swingline agent); and certain banks and financial institutions (the banks) which provides a \$1.7 billion 364 day multicurrency revolving credit facility and \$600 million five year multicurrency revolving facility with a \$300 million swingline facility. An agreement to extend \$1.5 billion of the 364 day multicurrency revolving credit facility for a further 364 days to 20 November 2003 was signed on 20 November 2002.

(ii) Offering circular issued by NGG Finance plc on 20 August 2001 summarising the trust deeds, subscription agreements and paying agency agreements relating to the €1,250,000,000 5.25% guaranteed bonds due 2006 and the €750,000,000 6.125% guaranteed bonds due 2011 issued by NGG Finance plc and guaranteed by National Grid Transco.

- 4(b) (i) Service Agreement – Edward Astle
- (ii) Service Agreement – Steve Holliday
- (iii) Service Agreement – Steve Lucas
- (iv) Service Agreement – Sir John Parker
- (v) Employment Agreement – Rick Sergel
- (vi) Service Agreement – Nick Winser
- (vii) Service Agreement – John Wybrew
- 4(c) (i) National Grid Executive Share Option Plan 2002
- (ii) National Grid Group Share Matching Plan 2002
- (iii) National Grid Transco Performance Share Plan 2002
- (iv) National Grid Executive Share Option Scheme 2000
- (v) National Grid Executive Share Option Scheme
- (vi) Lattice Long Term Incentive Scheme
- 6 Earnings per share – see note 11 to the accounts
- 8 List of subsidiaries
- 12(a) Certifications pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002



## Shareholder Statistics

### Distributions of shares by type of shareholder and size of shareholding

The following analyses of shareholdings are as at 20 May 2003:

Shareholders	Number of Holders	Number of shares	% of issued share capital	Shareholdings	Number of Holders	Number of shares	% of issued share capital
ADSs (a)	1	80,667,316	2.62	1-100	684,779	40,534,719	1.32
Banks	30	103,317,054	3.36	101-500	674,757	140,413,620	4.56
Electricity companies (b)	7	277,658	0.01	501-1,000	67,772	46,570,888	1.51
Individuals	1,462,213	329,915,052	10.72	1,001-5,000	44,348	86,107,088	2.80
Insurance companies	14	20,962,387	0.68	5,001-10,000	2,881	19,524,988	0.64
Nominee companies (c)	13,313	2,414,140,796	78.45	10,001-50,000	1,608	33,478,609	1.09
Other corporate bodies	710	26,663,976	0.87	50,001-100,000	325	23,498,327	0.76
Pension funds	51	167,315	0.01	100,001-500,000	628	147,472,659	4.79
Other limited and public companies	1,260	101,109,470	3.28	500,001-1,000,000	155	107,080,422	3.48
				1,000,001 and above	346	2,432,539,704	79.05
<b>Total</b>	<b>1,477,599</b>	<b>3,077,221,024</b>	<b>100.00</b>	<b>Total</b>	<b>1,477,599</b>	<b>3,077,221,024</b>	<b>100.00</b>

(a) ADSs are listed on the New York Stock Exchange. Each ADS represents five National Grid Transco ordinary shares. Holdings in ADSs are registered with The Bank of New York, the US depository, that holds the ordinary shares represented by all ADSs.

(b) In accordance with National Grid Transco's Articles of Association, no holder of a licence under the Electricity Act 1989 and no affiliate of such licence holder has an interest of 1% or more in the voting share capital of National Grid Transco.

(c) Nominee companies typically hold shares on behalf of banks, insurance companies, investment trusts, pension funds and ISA investors.

In addition to the number of ordinary shareholders shown there are approximately 18,200 beneficial and 23,110 registered holders of ADSs.

### Substantial shareholdings

As at 20 May 2003, National Grid Transco had been notified of the following beneficial interests in 3% or more of its issued share capital:

	Shares	% of issued share capital
The Capital Group Companies, Inc.	215,635,632	7.00
Legal and General Investment Management Ltd	104,964,080	3.41

No further notifications have been received. All ordinary shares have the same voting rights. The only other issued share in the capital of the Company is the Special Share. Details of the Special Share are set out on page 113.

## Financial Calendar

The following dates have been announced or are indicative of future dates:

28 May 2003	Ordinary shares go ex-dividend
30 May 2003	Record date for 2002/03 final dividend
21 July 2003	Annual General Meeting
20 August 2003	2002/03 final dividend paid to qualifying shareholders
20 November 2003	2003/04 interim results
26 November 2003	Ordinary shares go ex-dividend
28 November 2003	Record date for 2003/04 interim dividend
21 January 2004	2003/04 interim dividend paid to qualifying shareholders

## Shareholder Information

### Queries

Queries from shareholders should be addressed to the Registrar: Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA (telephone 0870 600 3969, fax 0870 600 3980, e-mail [ngtshareenq@lloydstsb-registrars.co.uk](mailto:ngtshareenq@lloydstsb-registrars.co.uk), [www.shareview.co.uk](http://www.shareview.co.uk), textphone for the hard of hearing 0870 600 3950).

Queries from holders of American Depositary Shares (ADSs) should be addressed to the Depository: The Bank of New York, Shareholders Correspondence, PO Box 11258, New York, NY 10286-1258 (for calls inside the US telephone 1-800-466-7215, for international calls telephone +1-610-312-5315, e-mail [shareowners@bankofny.com](mailto:shareowners@bankofny.com), [www.adrbny.com](http://www.adrbny.com)).

### Additional information

Additional information about National Grid Transco is available on our website at [www.ngtgroup.com](http://www.ngtgroup.com). Share price information, previous Annual Reports and Reviews and shareholder information can be found in the Investors section of that site.

### Documentation

A copy of National Grid Transco's Annual Review is sent to all shareholders each year.

For the assistance of visually impaired shareholders, an audio tape version of the Annual Review is produced and may be obtained free of charge by contacting the Registrar, Lloyds TSB Registrars. A large type version of the Annual Review is also available on request.

Shareholders may opt to receive copies of National Grid Transco's Annual Report and Accounts that contain the full accounts and additional information required by the US Securities and Exchange Commission. To request this document please contact either the Registrar, Lloyds TSB Registrars or the Depository, The Bank of New York.

If you currently receive the Annual Report and would like in future years to receive only the Annual Review, please contact either the Registrar, Lloyds TSB Registrars or the Depository, The Bank of New York.

Shareholders may elect to receive all shareholder communications, such as the Annual Review and Notice of AGM, by electronic means. To take advantage of this opportunity shareholders need to register on the Registrar's website [www.shareview.co.uk](http://www.shareview.co.uk). Registration is free. Once registered, shareholders will receive notification by e-mail when documentation is available, together with instructions on how to view it. There are no particular software requirements to view the documents, other

than those described and available on the National Grid Transco website [www.ngtgroup.com](http://www.ngtgroup.com).

Shareholders who register to receive electronic notification of documents, but decide at any time in the future that they would prefer to receive paper copies may register this preference on the website, [www.shareview.co.uk](http://www.shareview.co.uk) or by contacting the Registrar, Lloyds TSB Registrars.

Holders of ADSs may elect to receive some documents electronically by checking the appropriate box on the reverse side of their voting instruction card. Alternatively, they should call The Bank of New York at 1-800-466-7215. Prior to general meetings of National Grid Transco, ADS holders will be mailed a notice of meeting with instructions on how to access the Annual Review and/or other documents electronically.

Shareholders or ADS holders who wish to continue to receive all communications in paper form need take no action.

### Consolidated tax voucher

Shareholders who receive their dividends directly into their bank or building society accounts will receive a consolidated tax voucher once each year, rather than a tax voucher with each payment.

This consolidated tax voucher will be sent out in January/February each year.

Should shareholders wish to receive a separate voucher with each dividend they should contact the Registrars, Lloyds TSB Registrars.

### Share dealing

Information on a range of low cost share dealing services is available from the Registrars, Lloyds TSB Registrars, or from the National Grid Transco website.

Should you not wish to use this service, you may find details of a broker in your local telephone directory, on the internet or enquire about share dealing at any high street bank or building society.

The Directors of National Grid Transco are not in any way seeking to encourage shareholders either to buy or sell shares. If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice from an independent financial adviser authorised pursuant to the Financial Services and Markets Act 2000 or other appropriately authorised independent financial adviser.

### ISA investors

Individual Savings Accounts for National Grid Transco shares are available. Further

information may be obtained from the Account Manager: Stocktrade, PO Box 1076, 10 George Street, Edinburgh EH2 2PZ (telephone 0131 240 0443, [www.stocktrade.co.uk/NGT\\_Sharedealing/sharedealing\\_main.htm](http://www.stocktrade.co.uk/NGT_Sharedealing/sharedealing_main.htm)).

### CGT information

The following is for information purposes only. It does not constitute financial, investment or tax advice. If in doubt, shareholders should obtain independent financial advice.

The base cost for National Grid shareholders would depend on either the purchase price or the date their shares were distributed by the Regional Electricity Companies. For shares distributed on 8 December 1995 (by East Midlands, Midlands Electricity, SEEBOARD, London Electricity, Northern Electric, South Wales and Yorkshire Electricity), the acquisition base cost is 207 pence per share. For shares distributed on 23 January 1996 by Southern Electric, the acquisition base cost is 192.5 pence per share.

The split of the capital gains tax base cost of shares held in BG Group immediately prior to the Demerger has been calculated as:

BG Group plc shares	65.6212%
Lattice Group plc shares	34.3788%

Under the terms of the Merger, Lattice Group shareholders received 37.5 National Grid Transco shares for every 100 Lattice Group shares.

The first market value of National Grid Transco ordinary 10 pence shares following the merger of National Grid and Lattice, as calculated in accordance with Section 272(3) of the Taxation of Chargeable Gains Act 1992, and as derived from the London Stock Exchange Daily Official List on 21 October 2002, was 459.625 pence.

All calculations are in accordance with the methodology set out in the Inland Revenue guidelines.

### Shareholder networking

National Grid Transco will continue its innovative programme allowing shareholders to meet staff and visit operational sites. These visits allow us to explain National Grid Transco's business to you in person. If you would like to take part in a visit please write to: Shareholder networking organiser, NGT House, Warwick Technology Park, Gallows Hill, Warwick CV34 6DA.

## National Grid Transco

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UK Shareholder enquiries: 0870 600 3969  
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National Grid Transco has helped to fund the planting and long-term management of 680 trees with the Future Forests programme, in order to reabsorb 500 tonnes of carbon dioxide emissions. This figure is considered to be more than sufficient to offset the carbon dioxide emissions generated by the production of the Annual Report and Accounts 2002/03, the Annual Review 2002/03 and the Annual General Meeting. These activities are therefore CarbonNeutral®. The trees are being planted in Orbost in the Isle of Skye and with the Pacific Forest Trust in California.

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