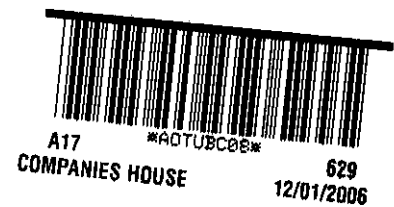


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**NGG TELECOMS LIMITED**  
**REPORT OF THE DIRECTORS**  
**AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2005**

**REGISTERED NUMBER: 2536498**



**NGG TELECOMS LIMITED**  
**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 31 MARCH 2005**

The Directors present their report and the audited financial statements of the Company for the year ended 31 March 2005.

**PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS**

The Company is an investment company.

**RESULTS AND DIVIDENDS**

The loss for the year after taxation was £19,209,000 (Period from 1 February 2003 to 31 March 2004: £75,372,000 profit).

The Directors do not recommend the payment of a dividend (Period from 1 February 2003 to 31 March 2004: £ Nil).

**FUTURE DEVELOPMENTS**

The Company will continue to operate as an investment company for the foreseeable future.

**DIRECTORS**

The Directors of the Company during the year and subsequently were:

AB Chapman	(Resigned 1 February 2005)
MC Cooper	
SF Noonan	
RF Pettiifer	
MA Smyth-Osbourne	(Appointed 1 February 2005)

**TRANSACTIONS WITH DIRECTORS**

None of the Directors had a material interest in any contract of significance to which the Company was a party or made any transaction, arrangement or agreement within the provisions of Schedule 6 to the Companies Act 1985, during the year.

# **NGG TELECOMS LIMITED**

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

**FOR THE YEAR ENDED 31 MARCH 2005**

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

The Directors had no direct or indirect interests at 31 March 2005 in the shares of the Company or Group, other than the following interests in the ordinary shares of National Grid plc, the ultimate parent company:

#### **Interests in ordinary shares in National Grid plc**

##### **Employee Sharesave options**

	<b>1 April 2004 or later on appointment</b>	<b>Granted</b>	<b>Exercised</b>	<b>31 March 2005</b>
MC Cooper	5,362	-	-	5,362
SF Noonan	5,005	3,451	4,005	4,451
RF Pettifer	3,891	-	-	3,891
MA Smyth-Osbourne	2,910	-	-	2,910

##### **Executive Share options**

	<b>1 April 2004 or later on appointment</b>	<b>Granted</b>	<b>Exercised</b>	<b>31 March 2005</b>
MC Cooper	17,501	-	-	17,501
SF Noonan	34,201	-	-	34,201
RF Pettifer	8,119	-	-	8,119
MA Smyth-Osbourne	8,842	-	-	8,842

##### **Performance Share Plan Awards**

	<b>1 April 2004 or later on appointment</b>	<b>Granted</b>	<b>Exercised</b>	<b>31 March 2005</b>
MC Cooper	29,611	39,917	-	69,528
SF Noonan	11,844	11,862	-	23,706
RF Pettifer	6,525	6,425	-	12,950
MA Smyth-Osbourne	14,637	-	-	14,637

##### **Beneficial interests in shares\***

	<b>1 April 2004 or later on appointment</b>	<b>31 March 2005</b>
MC Cooper	49,252	51,647
SF Noonan	1,965	2,289
RF Pettifer	14,822	14,275
MA Smyth-Osbourne	11,991	11,991

# **NGG TELECOMS LIMITED**

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

### **FOR THE YEAR ENDED 31 MARCH 2005**

#### **DIRECTORS' INTERESTS IN SHARES (continued)**

\*Note: Includes shares acquired under the Share Matching Plan. Subject to retention of the shares acquired in accordance with the rules of the plan, matching awards totalling 3,560 National Grid plc ordinary shares were exercisable by MC Cooper (31 March 2004: Nil shares) in addition to the above.

#### **DIRECTORS' RESPONSIBILITIES**

The Directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for the financial year.

The Directors are responsible for ensuring that the Company keeps accounting records which disclose, with reasonable accuracy, the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They also have general responsibility for taking reasonable steps to safeguard the assets of the Company and for taking reasonable steps to prevent and detect fraud and other irregularities.

The Directors consider that in preparing the financial statements, suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used and that applicable accounting and financial reporting standards have been followed. The Directors also confirm that the going concern basis is appropriate.

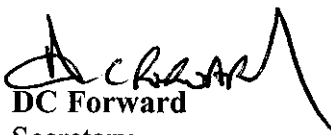
#### **AUDITORS**

The Company has previously taken advantage of the provisions of Section 379A of the Companies Act 1985 that enable a private company to dispense with the requirement to appoint auditors annually. Accordingly, PricewaterhouseCoopers LLP will be deemed to remain in office until further notice.

#### **FOR THE BOARD**

#### **REGISTERED OFFICE**

1-3 STRAND  
LONDON  
WC2N 5EH

  
DC Forward  
Secretary  
15 December 2005

# NGG TELECOMS LIMITED

## INDEPENDENT AUDITORS' REPORT TO

### THE MEMBERS OF NGG TELECOMS LIMITED

We have audited the financial statements which comprise the Profit and Loss account, the Balance Sheet and the related notes.

#### **Respective responsibilities of Directors and auditors**

The Directors' responsibilities for preparing the Report of the Directors and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

#### **Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 March 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers LLP**

Chartered Accountants and Registered Auditors

London

15 December 2005

**NGG TELECOMS LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 MARCH 2005**

		<b>2005</b>	<b>Period from</b>
	<b>Notes</b>	<b>£'000</b>	<b>1 February</b>
			<b>2003 to</b>
			<b>31 March</b>
			<b>2004</b>
			<b>£'000</b>
Operating charges	3	(13)	-
<b>Operating loss</b>		<u>(13)</u>	<u>-</u>
Interest receivable and similar income	4	-	4,553
<b>(Loss)/profit on ordinary activities before taxation</b>		<u>(13)</u>	<u>4,553</u>
Taxation	5	(19,196)	70,819
<b>(Loss)/profit on ordinary activities after taxation, transferred (from)/to reserves</b>	9	<u><u>(19,209)</u></u>	<u><u>75,372</u></u>

The results reported above relate to continuing activities.

The Company has no recognised gains and losses other than the loss for the year stated above and therefore no separate statement of total recognised gains and losses has been presented.

**NGG TELECOMS LIMITED**

**BALANCE SHEET**

**AT 31 MARCH 2005**

	Notes	2005 £'000	2004 £'000
<b>Fixed asset investment</b>	6	<u>1,127,280</u>	<u>-</u>
<b>Current assets</b>			
Amounts owed by Group undertakings		629,369	629,365
Cash at bank		<u>51</u>	<u>51</u>
		629,420	629,416
<b>Creditors: amounts falling due within one year</b>	7	<u>(1,146,597)</u>	<u>(104)</u>
<b>Net current (liabilities)/assets</b>		<u>(517,177)</u>	<u>629,312</u>
<b>Net assets employed</b>		<u><b>610,103</b></u>	<u><b>629,312</b></u>
<b>Capital &amp; reserves</b>			
Called up share capital	8	216,810	216,810
Share premium	9	205,050	205,050
Other reserves	9	600	600
Profit and loss account	9	<u>187,643</u>	<u>206,852</u>
<b>Equity shareholders' funds</b>	10	<u><b>610,103</b></u>	<u><b>629,312</b></u>

The financial statements on pages 5 to 11 were approved by the Board of Directors on 15 December 2005 and signed on its behalf by:



**SF Noonan**  
Director

# NGG TELECOMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

### 1 Accounting policies

#### a) Basis of accounting

The financial statements have been prepared on a going concern basis under the historical cost convention and the accounting policies set out below and in accordance with the Companies Act 1985 and applicable accounting and financial reporting standards.

#### b) Basis of preparation

The financial statements present information about the Company not its group. In accordance with Section 228 of the Companies Act 1985, the Company is exempt from preparing consolidated financial statements, as it is included within the consolidated accounts of National Grid Holdings Limited.

As permitted by Financial Reporting Standard 1 (Revised 1996), no cash flow statement has been presented as the cash flows of the Company have been included in the consolidated cash flow statement of National Grid plc.

#### c) Fixed asset investment

Investments held as fixed assets are stated at cost less any provision for impairment. Impairments are calculated such that the carrying value of the fixed asset investment is the lower of its cost or recoverable amount. Recoverable amount is the higher of its net realisable value and its value in use.

### 2 Directors' and employees

The emoluments of the Directors are paid by a Group undertaking and are deemed by them to be wholly attributable to their services to that undertaking. Accordingly, no details in respect of their emoluments have been included in these financial statements.

There were no employees of the Company during the year (Period from 1 February 2003 to 31 March 2004: Nil).

### 3 Operating charges

	Period from 1 February 2003 to 31 March	
	2005	2004
	£'000	£'000
Operating charges include:		
Audit fees	5	-
Non-audit fees	6	-

For the period 1 February 2003 to 31 March 2004, audit fees were borne by a fellow Group undertaking.



# **NGG TELECOMS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **FOR THE YEAR ENDED 31 MARCH 2005**

#### **4 Interest receivable and similar income**

		<b>Period from 1 February 2003 to 31 March 2004 £'000</b>
	<b>2005 £'000</b>	
Other interest receivable and similar income	-	4,553

For the period 1 February 2003 to 31 March 2004, other interest receivable and similar income represented interest on a corporation tax refund received during that period.

#### **5 Taxation**

		<b>Period from 1 February 2003 to 31 March 2004 £'000</b>
	<b>2005 £'000</b>	
Amount receivable for group relief	4	-
Adjustments to tax charge in respect of a previous period	(19,200)	70,819
	<b>(19,196)</b>	<b>70,819</b>

Tax losses of £13,000 were surrendered to a fellow subsidiary for which the Company will receive a payment of £4,000. The adjustment to the tax charge in respect of a previous period relates to an adjustment made to a previous year's charge following the sale of a fixed asset investment during the period ended 31 March 1999. The UK statutory rate of corporation tax is 30% and the effective rate of tax for the year before taking account of prior year adjustments was 30%.

For the period 1 February 2003 to 31 March 2004, there was no current tax charge as the other interest receivable was not a taxable item. The adjustment to the tax charge in respect of a previous period relates to an adjustment made to a previous year's charge following the sale of a fixed asset investment during the period ended 31 March 1999. The UK statutory rate of corporation tax for that period was 30%, however as the other interest receivable was not a taxable item the effective rate of tax was 0%.

**NGG TELECOMS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 MARCH 2005**

**6 Fixed asset investment**

**Shares in group  
Undertaking  
£'000**

**Cost and net book value**

Additions

1,127,280

At 31 March 2005

1,127,280

On 6 December 2004 the Company acquired a 100% shareholding in National Grid Jersey Investments Limited, a company incorporated in Jersey which is an investment company. Subsequent to the year end, on 6 June 2005 this investment was sold to a fellow Group undertaking.

**7 Creditors: amounts falling due within one year**

**2005  
£'000**

**2004  
£'000**

Amounts owed to Group undertakings

1,146,589

104

Accruals

8

-

1,146,597

104

**8 Share capital**

**2005  
£'000**

**2004  
£'000**

**Authorised**

250,000,000 ordinary shares of £1 each

250,000

250,000

**Allotted, called up and fully paid**

216,810,197 ordinary shares of £1 each

216,810

216,810

# **NGG TELECOMS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **FOR THE YEAR ENDED 31 MARCH 2005**

#### **9 Reserves**

	<b>Profit and loss account £'000</b>	<b>Share premium account £'000</b>	<b>Other reserve £'000</b>
At 1 April 2004	206,852	205,050	600
Loss for the year	(19,209)	-	-
<b>At 31 March 2005</b>	<b>187,643</b>	<b>205,050</b>	<b>600</b>

The other reserve arose on the sale of the Company's shareholding in NGG Telecoms Investment Limited to National Grid Holdings Limited. This gave rise to a realised profit of £8,000,000 and an unrealised profit of £600,000, which was credited to the other reserve.

#### **10 Reconciliation of movement in equity shareholders' funds**

	<b>2005 £'000</b>	<b>Period from 1 February 2003 to 31 March 2004 £'000</b>
(Loss)/profit for the year/period	(19,209)	75,372
Net (decrease)/increase in equity shareholders' funds	(19,209)	75,372
Opening equity shareholders' funds	629,312	553,940
<b>Closing equity shareholders' funds</b>	<b>610,103</b>	<b>629,312</b>

# **NGG TELECOMS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **FOR THE YEAR ENDED 31 MARCH 2005**

#### **11 Related party transactions and ultimate parent company**

The Company is exempt from disclosing transactions with those companies within the National Grid plc group of companies ("the Group") where all of the voting rights are held within the Group. There were no related party transactions with companies where not all of the voting rights are held within the National Grid plc group of companies.

The ultimate parent and controlling company is National Grid plc (formerly National Grid Transco plc) and the immediate parent company is National Grid Three Limited. The largest and smallest groups which include the Company and for which consolidated financial statements are prepared are headed by National Grid plc and National Grid Holdings Limited respectively. All of these companies are registered in England and Wales.

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