

NGG TELECOMS LIMITED
REPORT OF THE DIRECTORS
AND FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 FEBRUARY 2003 TO 31 MARCH 2004

REGISTERED NUMBER: 2536498



NGG TELECOMS LIMITED

REPORT OF THE DIRECTORS

FOR THE PERIOD FROM 1 FEBRUARY 2003 TO 31 MARCH 2004

The Directors present their report and the audited financial statements of the Company for the period from 1 February 2003 to 31 March 2004 ("the period").

PRINCIPAL ACTIVITY

The Company is an investment company.

RESULTS AND DIVIDENDS

The profit for the period after taxation was £75,372,000 (year ended 31 January 2003: £2,000). The Directors do not recommend the payment of a dividend (year ended 31 January 2003: £ 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 period and subsequently were:

AB Chapman
MC Cooper
SF Noonan
RF Pettifer

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 period.

NGG TELECOMS LIMITED

REPORT OF THE DIRECTORS (continued)

FOR THE PERIOD FROM 1 FEBRUARY 2003 TO 31 MARCH 2004

DIRECTORS' INTERESTS IN SHARES

The interests of the Directors at 31 March 2004 as shown in the register maintained by the Company in accordance with Section 325 of the Companies Act 1985, were as follows:

Ordinary shares in National Grid Transco plc ('NGT')

Employee ShareSave options

	1 February 2003	Granted	Exercised	31 March 2004
AB Chapman	5,007	-	-	5,007
MC Cooper	5,362	-	-	5,362
SF Noonan	5,110	1,000	1,105	5,005
RF Pettifer	3,991	1,746	1,846	3,891

Executive Share options

	1 February 2003	Granted	Exercised	31 March 2004
AB Chapman	86,413	-	-	86,413
MC Cooper	17,501	-	-	17,501
SF Noonan	34,201	-	-	34,201
RF Pettifer	8,119	-	-	8,119

Performance SharePlan Awards

	1 February 2003	Granted	Exercised	31 March 2004
AB Chapman	-	20,481	-	20,481
MC Cooper	-	29,611	-	29,611
SF Noonan	-	11,844	-	11,844
RF Pettifer	-	6,525	-	6,525

Beneficial interests in shares*

	1 February 2003	31 March 2004
AB Chapman	10,859	12,457
MC Cooper	49,032	49,252
SF Noonan	1,745	1,965
RF Pettifer	14,917	14,822

*Note: Includes shares acquired under the Share Matching scheme. Subject to retention of the shares acquired in accordance with the rules of the scheme, matching awards totalling 5,292 National Grid Transco plc ordinary shares were exercisable by AB Chapman (31 January 2003: 2,925 shares) in addition to the above.

NGG TELECOMS LIMITED

REPORT OF THE DIRECTORS (continued)

FOR THE PERIOD FROM 1 FEBRUARY 2003 TO 31 MARCH 2004

DIRECTORS' RESPONSIBILITIES

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

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

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

AUDITORS

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 11 March 2003 and the Directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. The Company 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



RF Pettifer
Director
21 January 2005

REGISTERED OFFICE

1-3 STRAND
LONDON
WC2N 5EH

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the 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.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Report of the Directors.

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 2004 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London

21 January 2005

NGG TELECOMS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD FROM 1 FEBRUARY 2003 TO 31 MARCH 2004

		Period from 1 February 2003 to 31 March 2004 £'000	Year ended 31 January 2003 £'000
	Notes		
Interest receivable and similar income	4	4,553	2
Profit on ordinary activities before taxation		<hr/> 4,553	<hr/> 2
Taxation	5	70,819	-
Profit on ordinary activities after taxation, being profit for the period/year transferred to reserves	8	<hr/> 75,372 <hr/>	<hr/> 2 <hr/>

The results reported above relate to continuing activities.

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

NGG TELECOMS LIMITED

BALANCE SHEET

AT 31 MARCH 2004

	Notes	At 31 March 2004 £'000	At 31 January 2003 £'000
Current assets			
Amounts owed by Group undertakings		629,365	909,978
Cash at bank		51	278
		<hr/> 629,416	<hr/> 910,256
Creditors: amounts falling due within one year	6	<hr/> (104)	<hr/> (356,316)
Net current assets		<hr/> 629,312	<hr/> 553,940
Net assets employed		<hr/> 629,312	<hr/> 553,940
Capital & reserves			
Called up share capital	7	216,810	216,810
Share premium	8	205,050	205,050
Other reserves	8	600	600
Profit and loss account	8	<hr/> 206,852	<hr/> 131,480
Equity shareholders' funds	9	<hr/> 629,312	<hr/> 553,940

The financial statements on pages 5 to 10 were approved by the Board of Directors on 21 January 2005 and signed on its behalf by:



SF Noonan
Director

NGG TELECOMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1 FEBRUARY 2003 TO 31 MARCH 2004

1 Accounting policies

a) Basis of accounting

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

b) Basis of preparation

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

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 period (year ended 31 January 2003: Nil).

3 Audit fees

Audit fees are borne by a fellow Group undertaking.

4 Interest receivable and similar income

	Period from 1 February 2003 to 31 March 2004 £'000	Year ended 31 January 2003 £'000
Other interest receivable and similar income	<u>4,553</u>	<u>2</u>

Other interest receivable and similar income represents interest received on a corporation tax refund received during the period. For the year ended 31 January 2003 other interest receivable and similar income was derived from a fee payable to the Company under a stock lending agreement which was terminated during that year.

NGG TELECOMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE PERIOD FROM 1 FEBRUARY 2003 TO 31 MARCH 2004

5 Taxation

	Period from 1 February 2003 to 31 March 2004 £'000	Year ended 31 January 2003 £'000
Adjustments to tax charge in respect of a previous period	70,819	-

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. For the period 1 February 2003 to 31 March 2004 there is no tax charge as the other interest receivable is not a taxable item. For the year ended 31 January 2003 the tax charge has been reduced to nil as tax losses of £2,000 have been surrendered by fellow subsidiaries and the Company made no payment for this surrender.

The UK statutory rate of corporation tax is 30% however as the other interest receivable is not a taxable item the effective rate of tax was 0%. For the year ended 31 January 2003 as a result of the surrender by fellow subsidiaries of group relief for no payment the effective rate of tax was 0%.

6 Creditors: amounts falling due within one year

	At 31 March 2004 £'000	At 31 January 2003 £'000
Amounts owed to Group undertakings	104	329,517
Corporation tax	-	26,799
	104	356,316

NGG TELECOMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE PERIOD FROM 1 FEBRUARY 2003 TO 31 MARCH 2004

7 Share capital

	At 31 March 2004 £'000	At 31 January 2003 £'000
Authorised		
250,000,000 ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>
Allotted, called up and fully paid		
216,810,197 ordinary shares of £1 each	<u>216,810</u>	<u>216,810</u>

8 Reserves

	Profit and loss account £'000	Share premium account £'000	Other reserve £'000
At 1 February 2003	131,480	205,050	600
Profit for the period	<u>75,372</u>	<u>-</u>	<u>-</u>
At 31 March 2004	<u>206,852</u>	<u>205,050</u>	<u>600</u>

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.

NGG TELECOMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE PERIOD FROM 1 FEBRUARY 2003 TO 31 MARCH 2004

9 Reconciliation of movement in equity shareholders' funds

	Period from 1 February 2003 to 31 March 2004 £'000	Year ended 31 January 2003 £'000
Profit for the period	75,372	2
Opening equity shareholders' funds	553,940	553,938
Closing equity shareholders' funds	629,312	553,940

10 Related party transactions and ultimate parent company

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

The ultimate parent and controlling company is National Grid Transco plc. The immediate parent company is National Grid Three Limited and the smallest controlling company for which consolidated financial statements are prepared is National Grid Holdings Limited. 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 Transco plc, 1-3 Strand, London WC2N 5EH.