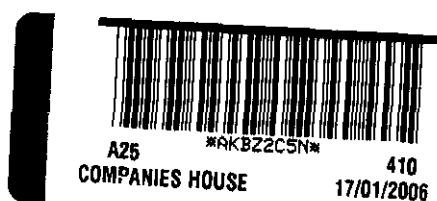


NGC Leasing Limited

Annual report and financial statements

for the year ended 31 March 2005

Registered number: 2678223



NGC Leasing Limited

Annual report and financial statements for the year ended 31 March 2005

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NGC Leasing Limited

Directors' report 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 the Business

The Company provides motor cars under operating lease rentals for the use of employees and directors of National Grid Plc Group.

Review of business and future development

The Company traded profitably during the year and will continue to operate as a leasing company for the foreseeable future.

Results and dividends

The profit for the year after taxation was £633,000 (2004: £411,000).

The Directors do not recommend the payment of a final dividend (2004: £nil).

Directors

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

N Moore
A Patterson
A Kay

Directors' interests in shares

The interests in Group companies of the Directors at 31 March 2005 as shown in the register maintained by the Company in accordance with Section 325 of the Companies Act 1985 are as shown over the page.

NGC Leasing Limited

Directors' report for the year ended 31 March 2005 (continued)

The Directors had no direct or indirect interests as at 31 March 2005 in the shares of the Company, 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

	1 April 2004 and 31 March 2005
A B Kay	3,692
N Moore	-
A Patterson	5,362

Executive Share options

	1 April 2004 and 31 March 2005
A B Kay	64,390
N Moore	11,974
A Patterson	-

Performance Share Plan Awards

	1 April 2004	Granted	31 March 2005
A B Kay	16,903	16,946	33,849
N Moore	16,656	16,710	33,366

Shares beneficially owned

	1 April 2004	31 March 2005
A B Kay*	13,554	12,227
N Moore	12,382	1,090
A Patterson	4,530	5,538

*Includes shares acquired under the Share Matching Plan scheme. Subject to retention of the shares acquired in accordance with the rules of the scheme, matching awards of 5,446 new NGT ordinary shares would be exercisable by A B Kay (2004 -3,128 shares) in addition to the above.

NGC Leasing Limited

Directors' report for the year ended 31 March 2005 (continued)

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.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. The directors are required to prepare financial statements on the going concern basis, unless it is inappropriate to presume that that company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 March 2005. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

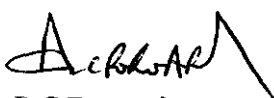
Auditors

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 remain in office until further notice.

For the board

Registered office

1-3 Strand
London
WC2N 5EH



D C Forward
Secretary
9 January 2006



Independent auditors' report to the members of NGC Leasing Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

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

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

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

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

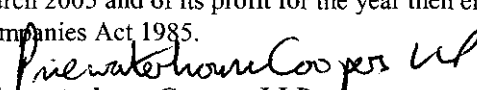
Basis of audit opinion

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

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

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


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham
10 January 2006

NGC Leasing Limited

Profit and loss account for the year ended 31 March 2005

	Notes	2005 £'000	2004 £'000
Turnover	2	2,593	2,771
Operating costs		(1,775)	(1,741)
Operating profit on ordinary activities	3	818	1,030
Interest payable	5	(297)	(307)
Profit on ordinary activities before tax		521	723
Tax on profit on ordinary activities	6	112	(312)
Profit on ordinary activities after taxation		633	411
Retained profit for the financial year	12	633	411

The results reported above relate to continuing operations.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

The company has no recognised gains and losses other than those included in the profit and loss account and therefore no separate statement of total recognised gains and losses has been presented.

NGC Leasing Limited

Balance sheet at 31 March 2005

	Notes	2005 £'000	2004 £'000
Fixed assets			
Tangible assets	7	5,575	5,570
Current assets			
Amounts owed by Group undertakings	8	638	676
Cash at bank and in hand		2,689	4,874
		3,327	5,550
Creditors: amounts falling due within one year	9	(6,857)	(9,710)
Net current liabilities		(3,530)	(4,160)
Total assets less current liabilities		2,045	1,410
Provisions for liabilities and charges	10	(85)	(83)
Net assets employed		1,960	1,327
Capital and reserves			
Called up share capital	11	-	-
Profit and loss account	12	1,960	1,327
Equity shareholders' funds	13	1,960	1,327

The financial statements on pages 7 to 15 were approved by the Board of Directors on 10th January 2006 and signed on its behalf by:



Director

NGC Leasing Limited

Notes to the financial statements for the year ended 31 March 2005

1 Accounting Policies

Basis of Accounting

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and in accordance with applicable accounting standards in the United Kingdom. The principal accounting policies are set out below:

a) **Basis of Preparation**

In accordance with FRS 1 (Revised 1996) "Cash Flow Statements", no cash flow statement has been presented, as the cash flows of the Company have been included in the Group cash flow statement of National Grid plc.

b) **Turnover**

Annual rentals paid for and income receivable from such leases are recognised in the profit and loss account on a straight-line basis over the period of the lease.

c) **Depreciation**

Tangible fixed assets are included in the balance sheet at cost less accumulated depreciation. These assets are depreciated using the straight-line method of rates estimated to write off their book value over their estimated useful economic lives, as follows:

	Years
Motor vehicles	5

d) **Deferred taxation**

Deferred taxation, on accelerated capital allowances and other timing differences, are calculated on the liability method, and is provided to the extent that a tax asset is expected to become repayable in the foreseeable future.

Deferred taxation is provided in full on all material timing differences, with certain exceptions. No provision is made for any timing differences on non-monetary assets arising from fair value adjustments, except where there is a binding agreement to sell the assets concerned. However, no provision is made where it is more likely than not that any taxable gain will be rolled over into replacement assets.

Deferred tax assets are only recognised to the extent that their recovery is considered more likely than not.

Deferred tax balances have not been discounted.

NGC Leasing Limited

Notes to the financial statements for the year ended 31 March 2005 (continued)

2 Turnover

Turnover is in respect of operating lease rentals made wholly in the United Kingdom.

3 Operating profit is stated after charging/(crediting):

	2005	2004
	£'000	£'000
Depreciation charge for the year on tangible fixed assets leased to Group undertakings	1,737	1,828
(Profit) / Loss on sale of fixed assets	(112)	(407)
Audit remuneration		
- Audit services	5	5
- Non audit services	-	-

4 Directors' emoluments

The directors do not receive any emoluments in respect of their services to the company.

5 Interest Payable

	2005	2004
	£'000	£'000
Interest payable to group undertakings	297	307

NGC Leasing Limited

Notes to the financial statements for the year ended 31 March 2005 (continued)

6 Tax on profit on ordinary activities

	2005	2004
	£'000	£'000
Current tax:		
UK Corporation Tax on profits of the period	123	237
Adjustments in respect of previous periods	(237)	-
Total current tax	(114)	237
Deferred tax:		
Origination and reversal of timing differences	33	(20)
Adjustment in respect of previous periods	(31)	95
Total deferred tax	2	75
Tax on profit on ordinary activities	(112)	312
The difference between the statutory rate of current tax, 30% (2004:30%) and the actual current tax rate 21.9% (2004 : 32.8%) relates to the difference between disallowable book depreciation and capital allowances. The differences are explained below:		
Profit on ordinary activities	521	723
Profit on ordinary activities multiplied By standard rate in the UK 30% (2004 30%)	156	217
Effects of:		
Accelerated capital allowances and other timing differences	(33)	20
Adjustment in respect of previous periods	(237)	-
	(114)	237

NGC Leasing Limited

Notes to the financial statements for the year ended 31 March 2005 (continued)

7 Fixed assets

	Motor Vehicles
	£'000
Cost	
At 1 April 2004	8,917
Additions	2,455
Disposals	(2,194)
At 31 March 2005	9,178
Accumulated depreciation	
At 1 April 2004	3,347
Charge for the year	1,737
Disposals	(1,481)
At 31 March 2005	3,603
Net Book Value at 31 March 2005	5,575
Net Book Value at 31 March 2004	5,570

8 Debtors

	2005	2004
	£'000	£'000
Amounts owed by Group undertakings	638	676

NGC Leasing Limited

Notes to the financial statements for the year ended 31 March 2005 (continued)

9 Creditors: Amounts falling due within one year

	2005	2004
	£'000	£'000
Trade creditors	290	256
Amounts owed to Group undertakings	6,567	9,238
Taxation and social security		216
	6,857	9,710

10 Provisions for liabilities and charges

	Deferred tax
	£'000
As at 1 April 2004	83
Prior Year Adjustment	(31)
Profit & Loss Charge	33
As at 31 March 2005	85

Deferred Taxation

Deferred taxation provided in the accounts comprises:

	2005	2004
	£'000	£'000
Accelerated capital allowances	85	83

There is no un-provided deferred tax.

NGC Leasing Limited

Notes to the financial statements for the year ended 31 March 2005 (continued)

11 Share capital

	2005	2004
	£	£
Authorised, allotted, called up and fully paid		
100 £1 ordinary shares	100	100

12 Reserves

	Profit and loss account
	£'000
As at 1 April 2004	1,327
Retained profit for the financial year	633
At 31 March 2005	1,960

13 Reconciliation of movements in equity shareholders' funds

	2005	2004
	£'000	£'000
Profit on ordinary activities after taxation	633	411
Net increase in shareholders' funds	633	411
Equity shareholders' funds at the start of the year	1,327	916
Equity shareholders' funds at the end of the year	1,960	1,327

14 Capital commitments

Capital expenditure contracted for but not provided for the year ended 31 March 2005 amounted to £394,606 (2004: £476,829).

NGC Leasing Limited

Notes to the financial statements for the year ended 31 March 2005 (continued)

15 Related Party Transactions

The company is exempt under the terms FRS 8 from disclosing transactions with those companies within the National Grid 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 group of companies.

16 Parent Undertakings

The ultimate parent and controlling company is National Grid plc. The immediate parent company and smallest controlling company for which consolidated financial statements are prepared is National Grid Electricity Transmission plc (formerly National Grid Company plc). Both companies are incorporated in Great Britain.

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