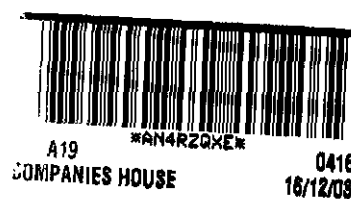


**NGC LEASING LIMITED**

**REPORT OF THE DIRECTORS**

**AND FINANCIAL STATEMENTS FOR THE YEAR**

**ENDED 31 MARCH 2003**



**REGISTERED NUMBER: 2678223**

**NGC LEASING LIMITED**  
**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 31 MARCH 2003**

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2003.

**PRINCIPAL ACTIVITY**

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

**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 £472,000 (2002: £516,000). The profit for the year has been transferred to reserves.

The directors do not recommend the payment of a final dividend (2002: £nil).

**DIRECTORS**

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

C Buck (Resigned 28 March 2003)  
HM Ellis (Resigned 28 March 2003)  
JR Lowen (Resigned 28 March 2003)  
N Moore (Appointed 28 March 2003)  
A Patterson (Appointed 28 March 2003)  
A Kay (Appointed 28 March 2003)

# NGC LEASING LIMITED

## REPORT OF THE DIRECTORS (continued)

### FOR THE YEAR ENDED 31 MARCH 2003

#### DIRECTORS' INTERESTS IN SHARES

The interests in Group companies of the directors at 31 March 2003 as shown in the register maintained by the Company in accordance with Section 325 of the Companies Act 1985 are as follows:-

**Ordinary shares in National Grid Transco plc ("NGT") which from 1 April 2002 to 21 October 2002 was National Grid Group plc.**

#### Employee ShareSave options

	On appointment and 31 March 2003
A B Kay	3,692
N Moore	-
A Patterson	5,362

#### Executive Share options

	On appointment and 31 March 2003
A B Kay	64,390
N Moore	11,974
A Patterson	-

#### Shares beneficially owned

	On appointment and 31 March 2003#
A B Kay	15,809
N Moore	12,382
A Patterson	4,010

# Note: includes shares acquired under the Sharematch scheme. Subject to retention of the shares acquired in accordance with the rules of the scheme, A matching award of new NGT Ordinary shares would be exercisable by A B Kay (1,097 shares) in addition to the above.

# NGC LEASING LIMITED

## REPORT OF THE DIRECTORS (continued)

FOR THE YEAR ENDED 31 MARCH 2003

### 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.

### 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.

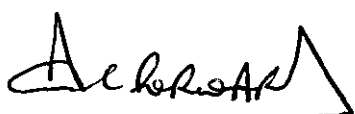
The Directors consider that in preparing the financial statements, suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used and that applicable accounting and financial reporting standards have been followed. The Directors also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

### AUDITORS

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 remain in office until further notice.

### FOR THE BOARD



D C Forward

Secretary

Date: 7<sup>th</sup> November 2003

### REGISTERED OFFICE

1-3 Strand  
London  
WC2N 5EH

**NGC LEASING LIMITED**  
**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.

**NGC LEASING LIMITED**

**INDEPENDENT AUDITORS' REPORT TO**

**THE MEMBERS OF NGC LEASING LIMITED (continued)**

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers UP*

**PricewaterhouseCoopers LLP**  
**Chartered Accountants and Registered Auditors**  
**Birmingham**

*7th* November 2003

**NGC LEASING LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 MARCH 2003**

	Notes	2003 £'000	2002 £'000
<b>Turnover</b>	2	3,132	3,547
Operating costs		(2,129)	(2,434)
<b>Operating profit on ordinary activities</b>	3	1,003	1,113
Interest	5	(329)	(384)
<b>Profit on ordinary activities before tax</b>		674	729
Tax on profit on ordinary activities	6	(202)	(213)
<b>Profit on ordinary activities after taxation</b>		472	516
Dividends		-	-
<b>Retained profit</b>		<u>472</u>	<u>516</u>

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.

**Statement of total recognised gains and losses**

	2003 £'000	2002 £'000
Total recognised gains and losses relating to the year	472	516
Prior year adjustment	-	(72)
<b>Total gains and losses recognised since last annual report</b>	<u>472</u>	<u>444</u>

**NGC LEASING LIMITED**

**BALANCE SHEET**

**AT 31 MARCH 2003**

	Notes	2003	2002
		£'000	£'000
<b>Fixed assets</b>			
Tangible assets	7	6,212	7,020
<b>Current assets</b>			
Debtors	8	771	958
Cash at bank and in hand		3,364	1,647
		<u>4,135</u>	<u>2,605</u>
<b>Creditors: amounts falling due within one year</b>	9	(9,423)	(9,181)
<b>Net current liabilities</b>		<u>(5,288)</u>	<u>(6,576)</u>
<b>Total assets less current liabilities</b>		924	444
<b>Provisions for liabilities and charges</b>	10	(8)	-
<b>Net assets employed</b>		<u>916</u>	<u>444</u>
<b>Capital and reserves</b>			
Called up share capital	11	-	-
Profit and loss account		916	444
<b>Equity shareholders' funds</b>	13	<u>916</u>	<u>444</u>

The financial statements on pages 6 to 13 were approved by the board of directors on 7<sup>th</sup> November 2003 and signed on its behalf by:

Director





## NGC LEASING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 MARCH 2003

#### 1. Accounting Policies

##### a) Accounting convention

The financial statements have been prepared under the historical cost convention in accordance with applicable accounting and financial reporting standards in the United Kingdom.

##### b) Ultimate Parent Undertaking

In October 2002, following the merger of National Grid Group plc and Lattice Group plc, the ultimate parent undertaking changed its name from National Grid Group plc to National Grid Transco plc.

##### c) 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.

##### d) 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:

The estimated useful economic life of motor vehicles is 5 years.

##### e) 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 2003**

#### **1. Accounting Policies (continued)**

##### **f) Cash Flow**

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 Transco plc.

#### **2. Turnover**

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

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

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Depreciation charge for the year on tangible fixed assets leased to Group undertakings	2,097	2,360
Profit on sale of fixed assets	(342)	(284)
Audit fees	5	5

#### **4. Directors' emoluments**

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.

#### **5. Interest Payable**

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Interest Payable to Group undertakings	<u>329</u>	<u>384</u>

**NGC LEASING LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2003**

6. Taxation	2003 £'000	2002 £'000
Payable to group undertakings for the surrender of tax losses	269	346
Adjustment in respect of previous periods' current tax	(111)	(26)
Deferred taxation	(67)	(129)
Adjustment in respect of previous periods' deferred tax	<u>111</u>	<u>22</u>
Tax on profits on ordinary activities	<u>202</u>	<u>213</u>

The difference between the statutory rate of current tax, 30% and the actual current tax rate 39.9% (2002 : 47.5%) relates to the difference between disallowable book depreciation and capital allowances.

**NGC LEASING LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2003**

**7. Fixed assets**

**Motor Vehicles**  
**£'000**

**Cost**

At 1 April 2002	11,408
Additions	3,145
Disposals	<u>(4,766)</u>
<b>At 31 March 2003</b>	<b><u>9,787</u></b>

**Accumulated depreciation**

At 1 April 2002	4,387
Charge for the year	2,097
Disposals	<u>(2,909)</u>
<b>At 31 March 2003</b>	<b><u>3,575</u></b>

<b>NBV at 31 March 2003</b>	<b><u>6,212</u></b>
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NBV at 31 March 2002	<u>7,021</u>
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<b>2003</b>	<b>2002</b>
<b>£'000</b>	<b>£'000</b>

**8. Debtors**

Trade debtors	-	31
Amounts owed by Group undertakings	771	891
Deferred tax asset	<u>-</u>	<u>36</u>
	<b><u>771</u></b>	<b><u>958</u></b>

**NGC LEASING LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2003**

<b>9. Creditors: Amounts falling due within one year</b>	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	494	723
Amounts owed to Group undertakings	8,826	8,352
Other creditors including taxation and social security	<u>103</u>	<u>106</u>
	<b><u>9,423</u></b>	<b><u>9,181</u></b>

<b>10. Provisions for liabilities and charges</b>	<b>Deferred Tax</b>	<b>Total Provisions</b>
	<b>2003</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
At 1 April 2002	36	36
Additions	<u>(44)</u>	<u>(44)</u>
For the year ended 31 March 2003	<b><u>(8)</u></b>	<b><u>(8)</u></b>

**Deferred Taxation**

Deferred taxation provided in the accounts comprises:

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
(Accelerated capital allowances) / depreciation in excess of capital allowances	(8)	36

Where appropriate deferred tax assets and liabilities are shown net for balance sheet presentation purposes. The net deferred tax balance has been analysed as:

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Deferred tax asset (included in debtors see note 8)	-	36
Deferred tax liability (included in provisions for liabilities and charges)	(8)	-

**NGC LEASING LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2003**

<b>11. Share capital</b>	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
<b>Authorised</b>		
100 £1 Ordinary shares	<u>100</u>	<u>100</u>
<b>Allotted, called up and fully paid</b>		
100 £1 Ordinary shares	<u>100</u>	<u>100</u>

**12. Capital commitments**

Capital expenditure contracted for but not provided for the year ended 31 March 2003 amounted to £980,329 (2002: £1,042,000).

**13. Reconciliation of movements in equity shareholders' funds**

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Profit on ordinary activities after taxation	472	516
	<hr/>	<hr/>
Net increase in shareholders funds	472	516
Equity shareholders' funds at the start of the year	444	(72)
	<hr/>	<hr/>
<b>Equity shareholders' funds at the end of the year</b>	<b>916</b>	<b>444</b>
	<hr/>	<hr/>

**NGC LEASING LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2003**

**14. Related party transactions and ultimate parent company**

The Company is exempt from disclosing transactions with National Grid Transco plc and other subsidiaries of that company 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 Group of companies.

The following transactions took place with Enmo Ltd, a related party to the company.

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Sales	5	8
Debtor balance as at the year end	2	2

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