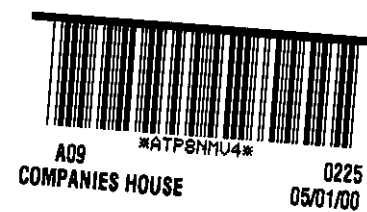


NGC LEASING LIMITED

REPORT OF THE DIRECTORS

AND FINANCIAL STATEMENTS FOR THE YEAR

ENDED 31 MARCH 1999



Registered Number: 2678223

NGC LEASING LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MARCH 1999

The Directors present their report and the audited financial statements of the Company for the year ended 31 March 1999.

PRINCIPAL ACTIVITY

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

The company is a wholly owned subsidiary undertaking of The National Grid Company plc ("NGC"). The ultimate parent undertaking is The National Grid Group plc ("NGG"). Both companies are incorporated in Great Britain.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

Business has grown steadily since the Company began trading on 1 August 1996. The Company anticipates the growth of rentals to continue for the foreseeable future.

RESULTS AND DIVIDENDS

The profit for the year after taxation was £452,000 (1998: £343,000). The profit for the year has been transferred to reserves.

The Directors do not recommend the payment of a final dividend.

DIRECTORS

The Directors of the Company throughout the year were:

D H Elsey (Chairman)
J Lowen
A Matthews

NGC LEASING LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MARCH 1999 (continued)

DIRECTORS' INTERESTS IN SHARES

The Directors have no shareholding in NGC Leasing Limited. The interests of the Directors 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 The National Grid Group plc ("NGG").

Employee ShareSave options

	1 April 1998	Granted	Exercised	31 March 1999
D H Elsey	2,850	-	-	2,850
J R Lowen	8,041	-	-	8,041
A Matthews	8,041	-	-	8,041

Executive Share options

	1 April 1998	Granted	Exercised	31 March 1999
D H Elsey	68,643	28,636	-	97,279
J R Lowen	82,364	19,214	-	101,578
A Matthews	14,598	10,462	-	25,060

Beneficial interests in Shares

	1 April 1998	31 March 1999
D H Elsey	128,597**	129,457**
J R Lowen	41,809**	37,176**
A Matthews	927	569

** Includes shares acquired under the NGG share match scheme. Subject to retention of the shares acquired in accordance with the rules of the scheme, matching awards of new NGG Ordinary shares would be exercisable by D H Elsey (6,708 shares) and J R Lowen (4,061 shares) in addition to the above.

NGC LEASING LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 1999 (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 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 and that the statements have been prepared on the going concern basis.

NGC LEASING LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MARCH 1999 (continued)

YEAR 2000

The NGG Group, which includes the Company, has in place a group-wide project to review its business-critical information systems and to plan and implement changes as necessary to accommodate the Year 2000 date change. The project commenced in 1996, when a Year 2000 project co-ordination team was established with responsibility for developing an overall plan to achieve Year 2000 readiness, including the monitoring of Year 2000-related activities within operating units. Detailed progress reports are made to the NGG Executive Committee on a regular basis and the NGG Board is kept fully informed of progress. By June 1999, the NGG Group expects that 98 per cent of all computer-dependent systems, applications and equipment will be Year 2000-ready. All systems which are critical to the secure operation and control of the transmission system were declared Year 2000 ready in April 1999.

The total expected costs of modifying or replacing hardware and systems are disclosed in the financial statements of NGG.

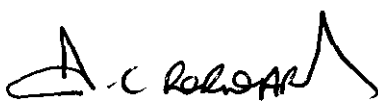
Monitoring of Year 2000 preparations in the electricity industry as a whole is being carried out by independent assessors on behalf of the industry's regulator, OFFER. OFFER has reported that the electricity industry's preparations for the Year 2000 date change are well advanced and that, in its view, the date change will not pose a risk to electricity supplies.

AUDITORS

The auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998, following which Coopers & Lybrand resigned and the Company appointed the new firm, PricewaterhouseCoopers as auditors.

During the year the Company took 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 will be deemed to remain in office until further notice.

FOR THE BOARD



D C Forward
Secretary

Date: 24 May 1999

REGISTERED OFFICE

185 PARK STREET
LONDON
SE1 9DY

NGC LEASING LIMITED
AUDITORS' REPORT TO THE MEMBERS OF
NGC LEASING LIMITED

We have audited the financial statements on pages 6 to 12.

Respective responsibilities of directors and auditors

The Directors are responsible for preparing the Annual Report, including as described on page 3 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

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. 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.

Basis of audit opinion

We have 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 statement, 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 affairs of the Company's affairs at 31 March 1999 and of the profit and total recognised gains for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

Chartered Accountants and Registered Auditors
London

PricewaterhouseCoopers

Date: 24 May 1999

NGC LEASING LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 1999

	Notes	1999 £000	1998 £000
Turnover - continuing operations	2	2,446	1,322
Operating costs	3	(1,791)	(979)
		—	—
Operating profit - continuing operations		655	343
		—	—
Profit on ordinary activities before taxation		655	343
Tax on profit on ordinary activities	6	(203)	-
		—	—
Profit on ordinary activities after taxation retained for the year	11	452	343
		==	==

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

NGC LEASING LIMITED

BALANCE SHEET

AT 31 MARCH 1999

	Notes	1999 £000	1998 £000
Fixed assets			
Tangible assets	7	7,354	5,437
		<hr/>	<hr/>
Current assets			
Debtors	8	788	464
Cash at bank and in hand		823	1,223
		<hr/>	<hr/>
		1,611	1,687
Creditors: amounts falling due within one year	9	(8,150)	(6,761)
		<hr/>	<hr/>
Net current liabilities		(6,539)	(5,074)
		<hr/>	<hr/>
Total assets less current liabilities		815	363
		<hr/>	<hr/>
Net assets employed		815	363
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	10	-	-
Profit and loss account	11	815	363
		<hr/>	<hr/>
Equity shareholders' funds	13	815	363
		<hr/>	<hr/>

The financial statements on pages 6 to 12 were approved by the board of directors on 24 May 1999 and signed on its behalf by:

J R Lowen
Director



A Matthews
Director



NGC LEASING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1999

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) 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 economic useful lives, as follows:

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

(d) Deferred taxation

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

2. Turnover

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

NGC LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1999 (continued)

3. Operating costs

	1999	1998
	£000	£000
Operating costs include:		
Depreciation charge for the year on tangible fixed assets leased to group undertakings	1,692	994
Profit on disposal of motor vehicles	51	70
Audit fees	3	3
	<u> </u>	<u> </u>

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.

No director (1998: two directors) exercised share options in The National Grid Group plc during the year.

5. Employees

The Company does not have any employees and as such no costs have been incurred.

6. Taxation

The tax charge in the year amounts to £203,000 (1998: nil).

The company had generated losses which were made available to The National Grid Company plc as group relief for nil consideration in 1998.

The maximum potential tax liability computed at 31%, arising from accelerated capital allowances for which no provision has been made, amounts to £197,000 (1998: £203,000).

NGC LEASING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1999 (continued)

7. Fixed assets

	Motor Vehicles <u>£000</u>
Cost	
At 1 April 1998	6,477
Additions	4,016
Disposals	(611)
	<hr/>
At 31 March 1999	9,882
	<hr/>
Accumulated depreciation	
At 1 April 1998	1,040
Charge for the year	1,692
Disposals	(204)
	<hr/>
At 31 March 1999	2,528
	<hr/>
Net book value	
At 31 March 1999	7,354
	<hr/> <hr/>
At 31 March 1998	5,437
	<hr/> <hr/>

NGC LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1999 (continued)

	1999	1998
	£000	£000
8. Debtors		
Trade debtors	56	-
Amounts owed by group undertakings	732	464
	<u>788</u>	<u>464</u>
	<u><u>788</u></u>	<u><u>464</u></u>
9. Creditors:(amounts falling due within one year)		
Trade creditors	416	331
Amounts due to group undertakings	7,500	6,400
VAT payable	31	30
Corporation tax	203	-
	<u>8,150</u>	<u>6,761</u>
	<u><u>8,150</u></u>	<u><u>6,761</u></u>
10. Share capital	1999	1998
	£	£
Authorised		
100 £1 Ordinary shares	100	100
	<u>100</u>	<u>100</u>
Allotted, called up and fully paid		
100 £1 Ordinary shares	100	100
	<u>100</u>	<u>100</u>
	<u><u>100</u></u>	<u><u>100</u></u>
11. Reserves	Profit & loss	
	account	
	£000	
At 1 April 1998		363
Retained profit for the year		452
At 31 March 1999		<u>815</u>
		<u><u>815</u></u>

NGC LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1999 (continued)

12. Capital Commitments

Capital expenditure contracted for but not provided at 31 March 1999 amounted to £396,000 (1998: £745,000).

13. Reconciliation of Movements in Equity Shareholders' Funds

	1999 £000	1998 £000
Profit on ordinary activities after taxation	452	343
Equity shareholders' funds at the start of the year	363	20
Equity shareholders' funds at the end of the year	<u>815</u>	<u>363</u>

14. Related party transactions and ultimate parent company

The Company is exempt from disclosing transactions with other companies within the National Grid Group of companies as the voting rights of all companies are held within the Group.

The ultimate parent and controlling company is The National Grid Group plc, and the immediate parent and controlling company for which consolidated financial statements are prepared is The National Grid Company plc. Both companies are incorporated in Great Britain.

Copies of their consolidated financial statements can be obtained from the Assistant Secretary, The National Grid Company plc, 185 Park Street, London SE1 9DY.

15. Cash flow statement

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 The National Grid Group plc.