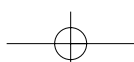


National Grid Transco Annual Report and Accounts 2004/05

Experts in Networks

Annual Report and Accounts 2004/05

National Grid Transco



Financial Highlights

The strength of our results demonstrates the successful delivery of our strategy and the quality of our overall operational performance in both the UK and the US.

Group turnover

£8,521m
Continuing operations

2004/05	£8,521m
2003/04	£8,875m
2002/03	£8,833m

Operating profit

£1,852m **£2,212m**
Adjusted*

2004/05	£1,852m	£2,212m
2003/04	£1,837m	£2,213m
2002/03	£1,696m	£2,148m

*Excludes impact of exceptional items and goodwill amortisation

Net cash inflow from operating activities

£2,909m **£3,103m**
Adjusted†

2004/05	£2,909m	£3,103m
2003/04	£2,810m	£3,058m
2002/03	£2,826m	£3,154m

†Excludes impact of exceptional items

Ordinary dividends

23.7p **+20%**
on last year

2004/05	23.7p
2003/04	19.8p
2002/03	17.2p

Earnings per share

29.5p **35.9p**
Adjusted*

2004/05	29.5p	35.9p
2003/04	35.0p	33.9p
2002/03	11.4p	27.1p

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Contents

01	Experts in Networks	60	Directors' Report	90	Group Cash Flow Statement
02	Chairman's Statement	62	Corporate Governance and Risk and Compliance Management	90	Group Statement of Total Recognised Gains and Losses
04	Chief Executive's Review	62	Corporate Governance	91	Notes to the Accounts
07	Operating Safely	67	Risk and Compliance Management	144	Glossary of Terms
09	Operating Performance	69	Directors' Remuneration Report	145	Definitions
12	Investing for Growth	80	International Financial Reporting Standards	146	Summary Group Financial Information
13	Investing in our People	82	Independent Verifier's Report	147	Shareholder Information
15	Our Responsibility for the Environment	83	Independent Auditors' Report		
17	Our Responsibility to Society	84	Statement of Directors' Responsibilities		
18	Board of Directors	85	Accounting Policies		
21	Operating and Financial Review	88	Group Profit and Loss Account		
21	Introduction	89	Balance Sheets		
25	Operating Review				
45	Financial Review				

Cautionary Statement

This document contains certain statements that are neither reported financial results nor other historical information. These statements are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Because these forward-looking statements are subject to assumptions, risks and uncertainties, actual future results may differ materially from those expressed in or implied by such statements. Many of these assumptions, risks and uncertainties relate to factors that are beyond our ability to control or estimate precisely, such as delays in obtaining or adverse conditions contained in regulatory approvals, competition and industry restructuring, changes in economic conditions, currency fluctuations, changes in interest and tax rates, changes in energy market prices, changes in historical weather

patterns, changes in laws, regulations or regulatory policies, developments in legal or public policy doctrines, the impact of changes to accounting standards, technological developments, the failure to retain key management, the availability of new acquisition opportunities or the timing and success of future acquisition opportunities. Other factors that could cause actual results to differ materially from those described in this document include the ability to continue to integrate the US and UK businesses acquired by or merged with the Group, the failure to achieve reductions in costs or to achieve operational efficiencies, unseasonable weather impacting on demand for electricity and gas, the behaviour of UK electricity market participants on system balancing, the timing of amendments in prices to shippers in the UK gas market, the performance of our pension schemes and the

regulatory treatment of pension costs, the impact of the separation and the planned disposals of four of our UK Gas Distribution networks and any adverse consequences arising from outages on or otherwise affecting energy networks which we own and/or operate. For a more detailed description of these assumptions, risks and uncertainties, together with any other risk factors, please see our filings with the US Securities and Exchange Commission (and in particular the Risk Factors section of this document). Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this document. National Grid Transco does not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this document.

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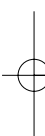
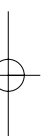
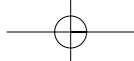
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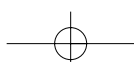


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Experts in Networks

National Grid Transco is dedicated to being the world's premier network utility, primarily focused on delivering energy safely, reliably and efficiently.

We own the high-voltage electricity transmission system in England and Wales and operate the system across Great Britain. We also own and operate the high pressure gas transmission system in Britain. In addition, we have electricity transmission systems in the northeastern US.

Our local distribution networks deliver gas to homes and businesses throughout Britain. We distribute electricity in the northeastern US to approximately 3.3 million customers and gas in upstate New York to around 565,000 customers.

We also have a number of businesses operating in related areas such as wireless network infrastructure for broadcast and mobile telephones, metering and interconnectors.

All our networks are highly complex – requiring a unique mixture of skills, experience and planned investment.