

NATIONAL GRID NOMINEES LIMITED

REPORT OF THE DIRECTORS

AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2002



REGISTERED NUMBER: 2489329

NATIONAL GRID NOMINEES LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MARCH 2002

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2002.

PRINCIPAL ACTIVITY

The Company acts as a nominee in respect of securities registered in its name and is also an investment company. It has no beneficial interest in those securities for which it acts as a nominee and accordingly these assets are not shown in the Company's balance sheet.

REVIEW OF THE YEAR AND FUTURE DEVELOPMENTS

The Company will continue to operate as both a nominee company and an investment company for the foreseeable future.

RESULTS AND DIVIDENDS

The activities of the Company during the year did not generate any gains or losses and therefore no profit and loss account or statement of total recognised gains and losses has been presented.

The directors do not recommend payment of a dividend.

DIRECTORS

The directors of the Company during the year were:

DC Forward
PN Phillips
FB Smith

NATIONAL GRID NOMINEES LIMITED
REPORT OF THE DIRECTORS (continued)
FOR THE YEAR ENDED 31 MARCH 2002

DIRECTORS' INTERESTS IN SHARES

The interests of the directors 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 Group plc ("New NGG")

Employee ShareSave options

	1 April 2001	Granted	Exercised	31 March 2002
DC Forward	3,264	508	750	3,022
PN Phillips	2,328	-	-	2,328
FB Smith	5,110	-	-	5,110

Executive Share options

	1 April 2001	Granted	Exercised	31 March 2002
DC Forward	-	-	-	-
PN Phillips	6,080	-	-	6,080
FB Smith	127,873	23,978	-	151,851

Beneficial interests in shares

	1 April 2001	31 March 2002
DC Forward	20,105	13,351
PN Phillips	2,911	410
FB Smith	30,277*	29,483*

* Includes shares acquired under the NGG share matching 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 FB Smith (1,815 shares (2001: 4,547 shares)) in addition to the above.

All the above interests at 31 March 2002 relate to Ordinary shares of 10p each in New NGG, which the Directors consider to be the ultimate holding company. On 31 January 2002 all existing interests held in National Grid Group plc ("Old NGG") relating to Ordinary shares of 11 and 13/17p each were replaced by interests in the same number of shares in New NGG on transfer of the listing to New NGG. On the same date Old NGG changed its name to National Grid Holdings One plc.

NATIONAL GRID NOMINEES LIMITED

REPORT OF THE DIRECTORS (continued)

FOR THE YEAR ENDED 31 MARCH 2002

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.

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.

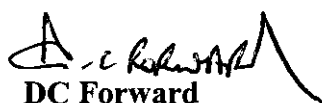
The directors are responsible for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They also have general responsibility for 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

The company has 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 will remain in office until further notice.

FOR THE BOARD



DC Forward

Secretary

16 October 2002

REGISTERED OFFICE

15 MARYLEBONE ROAD
LONDON
NW1 5JD

NATIONAL GRID NOMINEES LIMITED
INDEPENDENT AUDITORS REPORT TO
THE MEMBERS OF NATIONAL GRID NOMINEES LIMITED

We have audited the financial statements on pages 5 to 8.

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 on page 3.

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.

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.

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 2002 and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and
Registered Auditors
London
16 October 2002

NATIONAL GRID NOMINEES LIMITED

BALANCE SHEET

AT 31 MARCH 2002

	Notes	2002 £	2001 £
Fixed assets			
Investments	5	-	12,500
Current assets			
Amount owed by a Group undertaking		2	2
Creditors: amounts falling due within one year			
Amount owed to a Group undertaking		-	(12,500)
Net current assets/(liabilities)		2	(12,498)
Net assets employed		2	2
Capital & reserves			
Called up share capital	6	2	2
Equity shareholders' funds		2	2

The financial statements on pages 5 to 8 were approved by the board of directors on 16 October 2002 and signed on its behalf by:



P N Phillips
Director

NATIONAL GRID NOMINEES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2002

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 applicable accounting and financial reporting standards.

During the year, the Company adopted Financial Reporting Standard (FRS) 18 "Accounting policies". There has been no material impact to the Company of adopting FRS18.

b) Basis of preparation

The financial statements present information about the Company not its group. In accordance with Section 228 of the Companies Act 1985, the Company is exempt from preparing consolidated financial statements, as it is a wholly owned subsidiary of National Grid Holdings Limited and is included within the consolidated accounts of that company.

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 Group plc.

c) Investments

Investments held as fixed assets are stated at cost less any provision for impairment. Impairments are calculated such that the carrying value of the fixed asset investment is the lower of its cost compared with the higher of its net realisable value and its value in use.

2 Profit and loss account

The activities of the Company during the year did not generate any gains or losses, and therefore no profit and loss account or statement of total recognised gains and losses has been presented.

3 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.

NATIONAL GRID NOMINEES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR 31 MARCH 2002

4 Audit fees

Audit fees are borne by the ultimate parent undertaking.

5 Investment

	Shares in Group undertakings £
Cost	
At 1 April 2001	12,500
Additions	7
Disposals	<u>(12,507)</u>
At 31 March 2002	<u><u>-</u></u>

The company disposed of its investment in New National Grid plc, which cancelled the whole of its share capital on 25 January 2002 prior to implementing a scheme of arrangement.

6 Share capital

	Number	£
Ordinary shares of £1 each		
Authorised		
At 31 March 2002 and 31 March 2001	<u>100</u>	<u>100</u>
Allotted, called up & fully paid		
At 31 March 2002 and 31 March 2001	<u>2</u>	<u>2</u>

NATIONAL GRID NOMINEES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR 31 MARCH 2002

7 Related party transactions and ultimate parent company

The Company is exempt 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.

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

Copies of their consolidated financial statements can be obtained from the Assistant Company Secretary, National Grid Group plc, 15 Marylebone Road, London, NW1 5JD.