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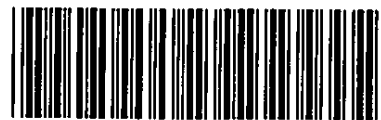
THE NATIONAL GRID INVESTMENTS COMPANY

DIRECTORS' REPORT

AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

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THE NATIONAL GRID INVESTMENTS COMPANY

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2010

The Directors present their report and the audited financial statements of the Company for the year ended 31 March 2010

PRINCIPAL ACTIVITY

The Company's principal activity during the year was acting as an investment holding company. The Company is also an unlimited company

DEVELOPMENT AND PERFORMANCE DURING THE YEAR

The Company obtains and provides finance to fellow National Grid plc subsidiary companies via inter company balances. Results, as detailed below, largely depend on investment income received offset by operating charges incurred. The Directors believe the current level of activity will continue in the foreseeable future

As the Company is part of a larger group, the management of the Company does not involve the use of key performance indicators, other than the profit or loss for the year, in measuring the development, performance or the position of the Company and the principal risks and uncertainties are integrated with the principal risks of National Grid plc. For information on the development, performance, risks, uncertainties and position of National Grid plc and its subsidiaries ('National Grid'), and of the key performance indicators used, refer to the Operating and Financial Review included in National Grid plc's Annual Report and Accounts 2009/10, which does not form part of this report

RESULTS AND DIVIDENDS

The profit for the year after taxation was £3,596,000 (2009: £9,081,000)

The Directors do not recommend the payment of a dividend (2009: £nil)

FINANCIAL POSITION

The financial position of the Company is presented in the balance sheet. Total shareholders' funds at 31 March 2010 were £241,062,000 (2009: £237,466,000) comprising current assets of £256,389,000 (2009: £251,399,000) less current liabilities of £15,327,000 (2009: £13,933,000).

FINANCIAL RISK MANAGEMENT

The management of the Company and the execution of the Company's strategy are subject to a number of risks. The Directors have identified the need to manage the Company's material financial risks, including liquidity, credit, and interest rate risks. These risks are monitored through a National Grid Treasury management function which invests surplus funds, mitigates foreign exchange exposure and manages borrowings for National Grid plc and its subsidiaries

THE NATIONAL GRID INVESTMENTS COMPANY

DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 MARCH 2010

FINANCIAL RISK MANAGEMENT (continued)

Treasury also seeks to limit counter-party risk by conducting most of its banking and dealing activities with a limited number of major international banks, whose status is kept under review

LIQUIDITY RISK

The Company finances its operations through a combination of retained profits, new share issues and inter company loans

CREDIT RISK

No material exposure is considered to exist in respect of inter company loans

INTEREST RATE RISK

To the extent that the Company enters into inter company loan agreements, the Company's exposure to interest rate risk arises on such loans on which interest is based upon sterling LIBOR. The Company does not participate in interest rate hedging.

DIRECTORS

The Directors of the Company during the year and up to the date of signing of the financial statements were:

AJ Agg	(Appointed 10 July 2009)
MAD Flawn	
G Holroyd	(Appointed full Director 10 July 2009, previously alternate to AM Lewis)
AM Lewis	
SF Noonan	(Resigned 10 July 2009)
MJ Sellars	(Appointed 10 July 2009)
CJ Waters	

DIRECTORS' INDEMNITIES AND INSURANCE

National Grid plc indemnifies officers of subsidiary companies against liabilities arising from the conduct of National Grid's business, to the extent permitted by law, by the placing of Directors' and Officers' insurance. The insurance indemnifies individual Directors' and Officers' personal legal liability and cost for claims arising out of actions taken in connection with the business of National Grid plc and its subsidiaries.

THE NATIONAL GRID INVESTMENTS COMPANY

DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 MARCH 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they 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 period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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.

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development and position are set out within the Directors' Report. In addition there are details of the Company's financial position and the risks that the Directors have highlighted as significant to the business.

As the Company is part of a larger group it participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. The Company is expected to continue to generate positive cash flows or be in a position to obtain finance via inter company loans to continue to operate for the foreseeable future.

The Directors are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

THE NATIONAL GRID INVESTMENTS COMPANY

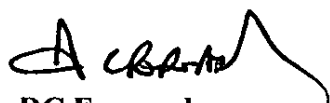
DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 MARCH 2010

AUDIT INFORMATION

Having made the requisite enquiries, so far as the Directors in office at the date of the signing of this report are aware, there is no relevant audit information of which the auditors are unaware and each Director has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

ON BEHALF OF THE BOARD



DC Forward
Company Secretary
3 September 2010

REGISTERED OFFICE

1-3 STRAND
LONDON
WC2N 5EH

Registered in England and Wales
No 2579065

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF THE NATIONAL GRID INVESTMENTS COMPANY

We have audited the financial statements of The National Grid Investments Company for the year ended 31 March 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 March 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

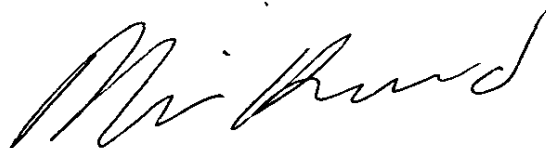
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Phil Harrold (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
3 September 2010

THE NATIONAL GRID INVESTMENTS COMPANY

PROFIT AND LOSS ACCOUNT

FOR THE YEARS ENDED 31 MARCH

	Notes	2010 £'000	2009 £'000
Operating charges		(5)	(5)
Operating loss	3	<u>(5)</u>	<u>(5)</u>
Interest receivable from fellow subsidiary undertakings		4,990	14,010
Profit on ordinary activities before taxation		<u>4,985</u>	<u>14,005</u>
Tax on profit on ordinary activities	4	(1,389)	(4,924)
Profit for the financial year transferred to reserves	7	<u>3,596</u>	<u>9,081</u>

The results reported above relate to continuing activities

The Company has no recognised gains or losses other than the profit for the financial years stated above and therefore no separate statement of total recognised gains and losses has been presented

There are no material differences between the profit on ordinary activities before and after taxation for the financial years stated above and their historical cost equivalents

THE NATIONAL GRID INVESTMENTS COMPANY

BALANCE SHEET

AT 31 MARCH

	Notes	2010 £'000	2009 £'000
Current assets			
Amounts owed by fellow subsidiary undertakings		256,389	251,399
Creditors: amounts falling due within one year	5	(15,327)	(13,933)
Net current assets		<u>241,062</u>	<u>237,466</u>
Net assets		<u>241,062</u>	<u>237,466</u>
Capital and reserves			
Called up share capital	6	145,193	145,193
Profit and loss account	7	<u>95,869</u>	<u>92,273</u>
Total shareholders' funds	8	<u>241,062</u>	<u>237,466</u>

The financial statements on pages 6 to 12 were approved by the Board of Directors on 3 September 2010 and signed on its behalf by:



MAD Flawn
Director

THE NATIONAL GRID INVESTMENTS COMPANY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

1 Accounting policies

(a) Basis of preparation

These financial statements have been prepared on the going concern basis in accordance with applicable UK accounting and financial reporting standards and the Companies Act 2006. These financial statements have been prepared using the historical cost convention and in accordance with the consistently applied accounting policies set out below. There have been no changes to accounting policies during the year.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

The Company has taken the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996) 'Cash flow statements'. Further, in accordance with exemptions under FRS 29 'Financial Instruments Disclosures', the Company has not presented the financial instruments disclosures required by the standard, as disclosures that comply with the standard are included in the consolidated financial statements of National Grid plc.

(b) Financial instruments

Financial assets, liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities and is recorded at the proceeds received, net of direct issue costs, with an amount equal to the nominal amount of the shares issued included in the share capital account.

Loans receivable are carried at amortised cost using the effective interest rate method less any allowance for estimated impairments. A provision is established for impairments when there is objective evidence that the Company will not be able to collect all amounts due under the original terms of the loan. Interest income, together with losses when the loans are impaired are recognised on an effective interest basis in the profit and loss account.

Borrowings, which include interest-bearing loans and overdrafts, are recorded at their initial fair value which normally reflects the proceeds received, net of direct issue costs less any repayments. Subsequently these are stated at amortised cost, using the effective interest rate method. Any difference between proceeds and the redemption value is recognised over the term of the borrowing in the profit and loss account using the effective interest method.

THE NATIONAL GRID INVESTMENTS COMPANY
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2010

1 Accounting policies (continued)

(c) Taxation

Current tax for the current and prior periods is provided at the amount expected to be paid (or recovered) using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

2 Directors and employees

The emoluments of the Directors are not paid to them in their capacity as Directors of the Company and are payable for services wholly attributable to other National Grid subsidiary undertakings. Accordingly, no details in respect of their emoluments have been included in these financial statements. During the year there were six Directors (2009: none) who exercised share options in the ordinary shares of the ultimate parent company, National Grid plc.

There were no employees of the Company during the year (2009: none).

3 Operating loss

	2010	2009
	£'000	£'000
Operating loss is stated after charging		
Audit fees	<u>4</u>	<u>4</u>

Disclosure of non-audit fees is not required as these have been disclosed in the consolidated financial statements of National Grid plc.

4 Tax on profit on ordinary activities

	2010	2009
	£'000	£'000
Current tax		
UK corporation tax	1,396	3,921
Adjustments in respect of prior years	<u>(7)</u>	<u>1,003</u>
	<u>1,389</u>	<u>4,924</u>

THE NATIONAL GRID INVESTMENTS COMPANY
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2010

4 Tax on profit on ordinary activities (continued)

The tax assessed for the year is lower (2009 higher) than the standard rate of corporation tax in the UK of 28% (2009: 28%) The differences are explained below

	2010	2009
	£'000	£'000
Profit on ordinary activities before taxation	<u>4,985</u>	<u>14,005</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 28%)	1,396	3,921
Effect of		
Adjustments in respect of prior years	<u>(7)</u>	<u>1,003</u>
Total current tax charge for the year	<u>1,389</u>	<u>4,924</u>

Factors that may affect future tax charges

A number of changes to the UK corporation tax system were announced in the 2010 Budget Report which have been enacted in the 2010 Finance Act The impact of these changes is not considered to be material to the future tax charge in the UK.

Further changes were announced in the Emergency Coalition Budget on 22 June 2010 These included a reduction in the main corporation tax rate from the current 28% to 24% comprising a 1% per annum reduction over the course of a four year period commencing from 1 April 2011 We are in the process of evaluating the impact these changes will have on our future tax charges

The worldwide debt cap, which restricts the amount of finance expense available for UK tax purposes, will apply for accounting periods ended 31 March 2011 onwards but is not expected to have a material effect on our future tax charge

Furthermore a number of additional issues will also be the subject of future consultation such as a possible general anti-avoidance rule We will monitor the impact of these proposals on our future tax charge

5 Creditors: amounts falling due within one year

	2010	2009
	£'000	£'000
Amounts owed to fellow subsidiary undertakings	15,321	13,927
Accruals	<u>6</u>	<u>6</u>
	<u>15,327</u>	<u>13,933</u>

THE NATIONAL GRID INVESTMENTS COMPANY
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2010

6 Called up share capital

	2010	2009
	£'000	£'000
Allotted, called up and fully paid		
10,000,000 ordinary shares of £1 each	10,000	10,000
150,000,000 "A" ordinary shares of £1 each	135,193	135,193
	<u>145,193</u>	<u>145,193</u>

The Company is an unlimited company

On 6 December 2001 the Company re-designated the issued redeemable preference shares of £1 each as 150,000,000 "A" shares of £1 each. The total amount payable on redemption of the preference shares was Yen 23,746,710,000 with no premium payable on redemption. The Company had previously entered into a cross-currency swap to hedge the Yen exposure associated with the final amount payable on the preference shares. The preference shares were therefore valued at the exchange rate of £1 Y175.65 set by the cross-currency swap, resulting in a sterling equivalent of £135,193,000 at the date of re-designation as "A" ordinary shares.

The "A" ordinary shares carry the following rights.

- a) The right to receive a cash dividend at a rate per share of 0.3420795 times the amount of cash dividend payable per share to the ordinary shareholders
- b) Upon liquidation, the "A" shareholders shall receive a liquidation payment per share in a proportion of 0.3420795 times that of any per share payment to the ordinary shareholders
- c) "A" shareholders may attend meetings and vote, their vote per share being weighted at 0.3420795 of a vote of an ordinary shareholder

7 Reserves

	Profit and loss account £'000
At 1 April 2009	92,273
Profit for the financial year	3,596
At 31 March 2010	<u>95,869</u>

THE NATIONAL GRID INVESTMENTS COMPANY
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2010

8 Reconciliation of movements in shareholders' funds

	2010	2009
	£'000	£'000
Profit for the financial year	3,596	9,081
Net increase in shareholders' funds	3,596	9,081
Opening shareholders' funds	237,466	228,385
Closing shareholders' funds	<u>241,062</u>	<u>237,466</u>

9 Related party transactions and ultimate parent company

The Company is exempt from disclosing transactions with National Grid plc and its subsidiary undertakings where all of the voting rights are held within the group. There were no related party transactions with companies where not all of the voting rights are held within the National Grid plc group of companies.

The ultimate parent and controlling company is National Grid plc and the immediate parent company is NGC Two Limited. The largest and smallest groups which include the Company and for which consolidated financial statements are prepared are headed by National Grid plc and National Grid Holdings One plc respectively. All of these companies are registered in England and Wales.

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