

THE NATIONAL GRID INVESTMENTS COMPANY

REPORT OF THE DIRECTORS

AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 15 MARCH 1999



Registered number: 2579065

THE NATIONAL GRID INVESTMENTS COMPANY

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 15 MARCH 1999

The directors present their report and the audited financial statements of the Company for the year ended 15 March 1999.

PRINCIPAL ACTIVITY

The Company is an investment company.

The Company is a wholly owned subsidiary undertaking of NGC Two Limited, and the ultimate parent company is The National Grid Group plc, both of which are companies incorporated in Great Britain.

RESULTS AND DIVIDENDS

The profit for the year after taxation was £39,200 (1998: £nil). The retained profit has been transferred to reserves.

The directors do not recommend payment of a dividend (1998: £nil).

FUTURE DEVELOPMENTS

The Company will continue as an investment company for the foreseeable future.

DIRECTORS

The directors of the company during the year were:

D H Elsey
A E Marks
M O'Donovan

THE NATIONAL GRID INVESTMENTS COMPANY

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 15 MARCH 1999 (continued)

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 The National Grid Group plc ("NGG")

Employee ShareSave options

	16 March 1998	Granted	Exercised	15 March 1999
D H Elsey	2,850	-	-	2,850
A E Marks	9,379	1,250	7,250	3,379
M O'Donovan	8,041	-	-	8,041

Executive Share options

	16 March 1998	Granted	Exercised	15 March 1999
D H Elsey	68,643	28,636	-	97,279
A E Marks	14,598	10,984	-	25,582
M O'Donovan	14,598	11,403	-	26,001

Beneficial interests in shares

	16 March 1998	15 March 1999
D H Elsey	128,597	129,457*
A E Marks	7,108	7,850
M O'Donovan	29,276	29,268

- * Includes shares acquired under the NGG share matching scheme. Subject to retention of the shares acquired in accordance with the rules of the scheme, a matching award of new NGG Ordinary shares would be exercisable by D H Elsey (6,708 shares) in addition to the above.

THE NATIONAL GRID INVESTMENTS COMPANY

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 15 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 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 and that the statements have been prepared on the going concern basis.

YEAR 2000

The nature and activities of the business are such that it is not dependent on computerised systems and therefore does not have Year 2000 date change issues to address.

THE NATIONAL GRID INVESTMENTS COMPANY

REPORT OF THE DIRECTORS

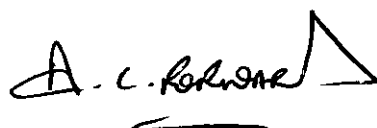
FOR THE YEAR ENDED 15 MARCH 1999 (continued)

AUDITORS

Our 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

24 May 1999

REGISTERED OFFICE

185 PARK STREET
LONDON
SE1 9DY

THE NATIONAL GRID INVESTMENTS COMPANY
REPORT OF THE AUDITORS TO
THE MEMBERS OF THE NATIONAL GRID INVESTMENTS COMPANY

We have audited the financial statements on pages 6 to 10.

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.

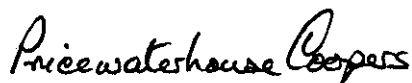
Basis of audit opinion

We 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 15 March 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and
Registered Auditors
London
24 May 1999

THE NATIONAL GRID INVESTMENTS COMPANY

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 15 MARCH 1999

		1999	1998
	Note	£'000	£'000
Profit on ordinary activities before taxation		-	-
 Tax on profit on ordinary activities	 3	 39.2	 -
 Profit on ordinary activities after taxation	 6	 <u>39.2</u>	 <u>-</u>
		<u><u> </u></u>	<u><u> </u></u>

There are no recognised gains and losses other than the profit for the year stated above.

THE NATIONAL GRID INVESTMENTS COMPANY

BALANCE SHEET

AT 15 MARCH 1999

	Note	1999 £'000	1998 £'000
Current Assets			
Amounts owed by group undertaking		168,193.2	168,368.4
Current liabilities			
Creditors: amounts falling due within one year	4	-	(214.4)
Net assets employed		<u>168,193.2</u>	<u>168,154.0</u>
		<u><u>168,193.2</u></u>	<u><u>168,154.0</u></u>
Capital and reserves			
Called up share capital	5	160,000.0	160,000.0
Profit and loss account	6	8,193.2	8,154.0
Equity shareholders' funds	7	<u>168,193.2</u>	<u>168,154.0</u>
		<u><u>168,193.2</u></u>	<u><u>168,154.0</u></u>

The financial statements on pages 6 to 10 were approved by the board of directors on 24 May 1999 and signed on its behalf by:

Mr M D O'Donovan
Director

M. O'Donovan

THE NATIONAL GRID INVESTMENTS COMPANY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 15 MARCH 1999

1 Accounting policies

a) Accounting convention

The financial statements have been prepared under the historical cost convention.

b) Basis of preparation

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

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 The National Grid Group plc.

2 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.

3 Taxation

	1999	1998
	£'000	£'000
Adjustment in respect of prior years	39.2	-
	<u> </u>	<u> </u>

THE NATIONAL GRID INVESTMENTS COMPANY
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 15 MARCH 1999

4 Creditors: Amounts falling due within one year

	1999	1998
	£'000	£'000
Corporation tax	-	199.8
Accruals	-	14.6
	<hr/>	<hr/>
	-	214.4
	<hr/>	<hr/>

5 Share capital

Authorised, allotted, called up and fully paid share capital 160,000,000
(1998:160,000,000) ordinary shares of £1 each.

6 Profit and loss account reserve

	£'000
At 16th March 1998	8,154.0
Retained profit for the year	39.2
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At 15 March 1999	8,193.2
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THE NATIONAL GRID INVESTMENTS COMPANY
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 15 MARCH 1999

7 Reconciliation of movement in equity shareholders' funds

	1999	1998
	£'000	£'000
Opening equity shareholders' funds	168,154.0	168,154.0
Profit for the financial year	39.2	-
	<hr/>	<hr/>
Closing equity shareholders' funds	168,193.2	168,154.0
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8 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 all of 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 intermediate parent 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 Company Secretary, The National Grid Group plc, 185 Park Street, London, SE1 9DY.